The Mysore Economic Journal

A Monthly Periodical devoted to the Discussion of all Economic Topics of Interest

Vol. XIX APRIL 1933 No. 4

The World Economic Conference.

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The appointed date (winter 1932 October-November) has almost come and gone. Unlike the Lausanne Conference which was held on the appointed date the meeting of World Economic Conference is being shelved on the ground of political uncertainties and the abnormal delay in arranging the data has been exasperating to all observers of international events. The Preparatory Commission has at last got down to hard facts and has issued the agenda.

But many of the members are brutally frank in assuring that nothing tangible can arise out of the discussions for an air of political unrealism is still pervading the world atmosphere. Some of the most tendencious rumours have already crept up that American official statements would hardly afford any ground for optimism, but it is impolitic to say anything definite from a study of political speeches for the behaviour of international statesmen is always notoriously backward in keeping up to their promises.

THE OBJECTIVE OF THE CONFERENCE.

The purpose for which it will be held is to cure the imperfections of international economic organization. The World Economic Conference has sometimes been rightly referred to as the World Economic and Monetary Conference. Undoubtedly it would lead *to the most-reasoned discussion of monetary* topics. From the new-fangled suggestion of Remonetization of Silver for the Eastern countries to the somewhat antiquated one of bi-metallism the entire gamut of monetary suggestions would be exhaustively dealt with. The agenda itself aims at the resurrection of a managed gold standard not only as a cure for the economic malaise which is imposing undue strains and stresses on the internal and international economy of the world but as a complete fool-proof and knave-proof monetary standard for the world. The possibility of opposition from arm-chair theorists who advocate the immediate necessity of finding a stable monetary standard for the world and those who managed paper sterling as an international currency has been unfortunately ignored. They are determined to drive the last nail into the coffin of the gold standard monetary mechanism and when one realizes how a policy of controlled inflation or reflation (as modern monetary parlance puts it) has failed in the U.S.A. the future of the international gold standard seems wrapped in obscurity. Banking failures and lack of confidence have engendered the flight of capital and the U.S.A. monetary authorities are straining their best endeavour to prevent the sterling from unduly appreciating in terms of the dollar.

The monetary future of the world gold standard and the development of a common progressive monetary policy for all countries forms the first and more important aim of the World Economic Conference. How and under what *conditions* the countries *will* have to climb back to the gold standard basis would form the basis of their discussion? Though termed an Economic Conference economic and non-monetary events, such as tariffs, exchange restrictions, import regulations, the shrinking of international trade, and producers' agreement form only the secondary item of the discussion.

THE PRESENT ECONOMIC MALAISE.

Doubtless superhuman efforts will be made to make the international financial stage conducive enough for a successful functioning of the international gold standard and an attempt will be made to free the choked channels of international trade by eliminating

or moderating the tariff walls. But the mere settlement of war-debts thus clearing the financial atmosphere, the resurrection of an improved gold standard and the removal of trade barriers and a planned system of capitalistic production would not by themselves work wonders in this world torn by political dissensions, economic rivalries and trade jealousies. The growing distress arising out of wide-spread unemployment, a tumultuous fall in gold prices almost to a rock-bottom level (as in the case of wheat prices), a staggering overpiling of agricultural products and industrial output in certain cases of Government-owned and worked industries such as coal and timber, the hindering of the smooth international flow of goods, increasing currency disorders both in debtor and creditor countries and shrinking national incomes for the individual as well as the different Governments are the salient features of the present-day world disintegration.

Recent outbursts of optimism created by slight spurt in prices of securities and commodities have been of too fleeting a character. Unless a stable international monetary standard, technical economic readjustment and a complete revival of confidence would take place the reconstruction of the economic world would indeed be a pious wish. Economic reconstruction, economic disarmament and economic reconciliation are the triple necessities of the economic international world-order. The forthcoming London Conference must indeed guide its deliberations solely on the basis of these planks of reconstruction.

The financial leadership of the world has distinctly passed over to America and unless it recognizes in unequivocal terms the economic impossibility of securing huge war-debts from impoverished Europe there is no hope of the economic crisis being worn away in the near distant future. A common whirlpool of ruin in which America herself will be entangled will be the direct consequence of the vain ambition of the American legislators to collect their pound of flesh from the borrowers. Current economic facts clearly indicate that the final solution would be in the direction of what "these countries can pay and not what they ought to pay". Even this much of what they can pay can only be collected after a proper and decent period of economic recuperation has been afforded to the countries. Assuming that economic wisdom triumphs in the direction of a satisfactory settlement of the huge political indebtedness, what the other measures needed for economic rehabilitation are hav to be considered.

MONETARY RECONSTRUCTION.

Since Prof. Gustav Cassel pointed ou the possibility of working out a resurrecte gold standard, where all countries play th rules of the gold standard, all thinkers presum the certainity of the reinstating of the golde calf on the monetary pedastal. The trum cards are supposed to be held by the U.S.A and France in particular. The redistributio of gold to debtor countries to open up eco nomic activity is the cardinal basis of thi suggestion and it would lead to a bette distribution of consumable goods internall as well as internationally.

But the real issue hangs on the possible an almost probable determination of Great Britai to expand the "sterlingaria" as Sir Basi Blackett has termed it. Apart from th fact that the restoration of even an improve gold standard does not solve the widesprea economic depression the realization of stabl international monetary standard seems to b a remote conception indeed. England' representatives would undoubtedly place th following four facts before the World Economi Conference and use them effectively as a bar gaining counter. The British Empire ca produce and export more gold than it need to meet its foreign liabilities in terms of gold Great Britain has frozen investments widel scattered all throughout the world and thes can be liquidated by letting "sterling fin its own level". Great Britain can secur though temporarily a great premium throug a further fall in sterling exchange. Th imports of gold-standard world will be eno mously curtailed if sterling falls. An inter national sterling standard system might b built and other national currencies "pegge to sterling". Such a proposal to make th paper sterling a world-currency system wa first made by the Austrian writer Dr. R. Eisle to the Editor of the *London Times* on 22n September 1931. This step would mea that the unnecessary abandonment of financia hegemony need not arise. The free grantin of sterling-exchange credits and rediscoun facilities to foreign Central Banks woul not only save the present situation but mak paper sterling universal currency.

International trade can be easily revive by inconvertible foreign exchange reserves, *i.e.* by inconvertible sterling bills which are however, stable in terms of value of com modities. This reform may indeed remov

nany of the inherent defects of the unregulated gold standard. The draft annotated agenda loes not consider this alternative scheme. This suggestion would aim at securing uniform nonetary and credit policy in the sterlingaria, olve exchange difficulties, secure complete tabilization of the level of prices and influence ane movements of capital within this wide area.

When one considers the difficulties of the related unscientific reflationary policy pursued n the U.S.A., a permanent solvent of the world's monetary problem cannot be secured out of it. Since Mr. Angas recommended a reckless "open market policy" and artificial raising of prices in his book "Inflate or Perish", the American financiers are creating two special bodies, namely, a special joint-stock bank pool to raise the prices of securities and a "Commodities Finance Organization" for raising the *price of commodities but the* situation has not been bettered in a significant *manner. Falling gold prices, hank* failures and budget deficits are the order of the day *in America.*

Ever since the Macmillan Committee voiced the absolute necessity of checking the disequilibrium between costs and prices so as to counteract the reasons leading to increasing disaster arising out of unemployment throughout the world it has become customary to state that rising prices lead to world recovery. A restoration of financial confidence would once again initiate free capital movements between the debtor and creditor countries. An increase of international trade would lead to export surplus on behalf of debtor countries and their internal economy would receive the much-needed stimulus out of this step. The balancing of the budget will indeed be easily done. Under appropriate safeguards the resumption of foreign capital movements and investments can easily be secured.

DIFFICULTIES OF SYNCHRONIZED REFLATION.

It behoves us to realize the actual difficulties *attendant on a policy of monetary reflation.* Very grave risks attend on this oft-mentioned *suggestion to raise world-prices to 1926 or* 1928 level by a policy of controlled inflation *or reflation as it has been christened. Apart* from the fact that there were unemployed people even in 1926 or 1928 boom years the rentiers and the creditor class would suffer gravely. The political effects would be bad if all national banks of all countries do not decide to expand their currencies in the same rhythm and in the same proportion. Un*disguised inflation, i.e., a continuously rising* price-level when commodities are not increasing cannot be *continued for long without* detrimental consequences, for a continuously rising price-level cannot be maintained for long without embarking on the vicious spiral of inflation. Even productive public work extensions out of bank credit granted to the State will not succeed except as a temporary relief measure. The new money created would not reach the masses of ultimate consumers but "it is injected at the top and not the bottom of the social pyramid". A short-lived bullish tendency might ensue and nothing else would be the result of this policy of "controlled inflation" or reflation as it has been termed. Mere automatic reflation would achieve short-lived and temporary efflux. As Major Douglas admits "the policy *of inflation of whatever kind it might be* will lead to diminished purchasing power *after a certain initial increase." Nothing* permanent can be secured until profit rate *covers or is higher than the rate of interest* paid for bank money by the entrepreneur. The international synchronizing of large-scale public and private enterprise is difficult to be achieved in actual practice. International movements of capital would disturb the position and cause fluctuations in exchanges. The resurrection of the gold standard might be brought about but it does not lead to an economy freed from the curse of recurrent crises. Reflation by debtor countries without previous stabilization of exchanges by all-round pegging arrangement would be a dangerous expedient. Constructive wisdom requires the recognition that permanent economic salvation cannot be attained under the suicidal policy of reflation. It would be better wisdom to organize expansible currency with a monetary unit having stable purchasing power. Without such a monetary system the progressive *rationalization and mechanization of industry* cannot continue.

NON-MONETARY REMEDIES.

Mere monetary remedies will *not provide* an enduring and effective remedy for the *world economic depression* and the unemployment problem which weighs so heavily on the world. World reconstruction depends on urgent non-monetary reforms such as improvement in the quantum of world trade. The suicidal policy of all wishing to sell but not to buy would be heading the countries

to impending disaster, and complete paralysis of *international trade might be the direct* and inevitable consequence of this selfish policy.

The present-day prohibitory and progressively rising tariffs, import prohibitions and quotas on the part of the debtor country either to limit their further indebtedness or the anxiety to prevent the sabotaging of their industries by foreign competition have to be relaxed. The breaking down of the extensive tariff walls or reducing them to a moderate height is an essential part of the non-monetary programme.

THE 1927 WORLD ECONOMIC CONFERENCE.

It is usual to state that politicians have a short memory and remembering the failure of the last World Economic Conference to accomplish anything solid in the direction of breaking down tariff walls one can of course be quite sceptical of the success of any move in this direction. The recent attempt of Central Europe to have a Customs Union only ended in the breakdown of the Austrian and German banking systems.

The resurrection of the gold standard *means the incentive to retain tariff barriers* as a protective measure for domestic industries against foreign competition. Sir Basil Blackett has shown vividly that the world tariff mania of the eighties of 19th century was undoubtedly due to the stresses and strains created by the internationalization of the gold standard. Thus the resurrection of the gold standard might not actually lead to the much-desired haven of security, for the vessels of the different nations cannot have the necessary automatic steering gear by adopting the proposed agenda of the preparatory commission of the World Economic Conference.

Monetary as well as non-monetary remedies can indeed be efficacious in a peaceful atmosphere. But so long as political turmoil and dissensions lead to further bickerings on the part of the nations and excessive expenditure on armaments, their financial solvency and economic prosperity would be unattainable. World economic reconstruction would stand postponed *sine die.*

Recent Tendencies of Indian Trade.

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I have given the title of "Recent Tendencies of Indian Trade" to this paper, because I want to take you with me through a rapid and broad survey of the present world trade *position as exemplified in India.* In the course of this survey we shall be struck by two or three outstanding phenomena, so outstanding that they arrest the attention of even the most casual observer. We shall find on examination that these phenomena, although they may seem to be isolated from each other, have yet this much in common—firstly, that they are by no means peculiar to India, but rather constitute trade experiences which India shares with the rest of the world; secondly, that they are of no little importance in themselves, seeming to act as indications of future trade development, solitary finger-posts so to speak, which stand prominently forth from the sandy desert of trade depression through which we are now passing, and point us towards yet further tracts, less sandy and dusty perhaps, towards which we seem to be groping our way. So this paper will fall into three main parts—firstly, a very brief survey of the existing world trade position; secondly, a summary of the principal tendencies at present noticeable in Indian trade: and thirdly, an attempt to describe the future position towards which these present tendencies seem to be heading.

Firstly, then, the survey of the existing position. This will be very brief, but the main facts are known to everyone. It is indeed an unpleasant picture which faces us this one of world trade developments since the war. There is the first chapter, which was largely financial, and covered a period of currency inflation, whereby some countries wrote off heavy accumulations of national debt and in doing so wrote off also national capital and national credit. Chapter two relates chiefly to tariffs, for it describes the gradual building up of tariff walls on the Continent and in the United States, in the effort to protect national industries from world competition. Chapter three is largely commercial, for the tariff walls have inevitably stimulated dumping, much as a high wall round an apple-orchard, will stimulate the imagination of the little boy outside. He pictures to himself boughs heavily laden with luscious golden fruit, and if on arrival he finds the fruit is really green in colour

and indifferent in flavour, he rapidly adapts himself to the new situation, for he is distinctly conscious of a vacuum within himself. and his digestion will stand any reasonable stain. So the tariff wall fails to protect the internal market and has to be fortified by broken glass on top, and eventually by the activities and resources of the local policeman. In this chapter, then, over-production leads to dumping, and dumping leads to governmental reprisals. In chapter four, the main interest tends to shift from commerce to gold, and at the end of this chapter the United Kingdom leaves the gold standard, or the gold standard deserts the United Kingdom—you will use either formula according to your point of view, and it seems to me that the difference is one largely of words. In Switzerland the other day I was told a charming story of Einstein—that the celebrated savant, while travelling from Germany to Switzerland, wished to break his journey at Oltan, and was compelled in the interests of scientific truth to ask the guard, not at what hour the train stopped at Oltan, but at what hour Oltan stopped at his train. In such a spirit, perhaps, the political economist will talk of the gold standard abandoning the United Kingdom. The fifth chapter is not yet closed. Commercial and financial restrictions are drawn yet tighter, in import quotas and exchange controls. It is increasingly realized that the locking up by France and the United States of good gold which ought to be lubricating the wheels of the world's commerce is responsible for a great many of our economic jars and jolts; for indeed grit is a poor substitute for oil as a lubricant, and yet *something* must be thrown to wheels which creak and groan, and if good gold oil is not available, why, sand is the cheapest available substitute! It is realized that a good deal of the present sag in prices is due to the appreciation of gold in terms of commodities—that this appreciation is due to the scarcity value of gold (in spite of abundant underground reserves) as the only medium for the liquidation of international debts—and therefore that normal relationship between gold values and commodity values can only be restored if either (*a*) goods and/or services can be accepted in discharge of such debts, or (*b*) the debts are cancelled by mutual agreement.

That is roughly the position in which we stand to-day. If the immediate outlook is dark, do not forget that the economic troubles through which we are passing are still very much with us. It is indeed impossible to say that any one of the chapters which I have just described is definitely or finally closed. Currency inflation is now recognized as a palliative and not a remedy, but the aftermaths of the post-war inflations are still causing difficulties. High tariffs are still with us, and import quotas and exchange controls are merely superimposed as a sort of *chevaux-de-frise*. We have still a long way to travel before we begin to see the solutions of our present difficulties.

I now turn to the second part of my paper. Let us take India's trade experiences during recent years and see what lessons can be drawn from them and what bearing they may have on world trade. Prices and trade are, as you know, very closely allied, and it is useless investigating trade without at the same time keeping a very close watch on the course of prices. The present position of Indian trade is undoubtedly gloomy, as indeed it is throughout the world. It may be summarised as follows. If we date the worst features of the present depression—as most economists do—from 1929, we find that during that year the total value of Indian trade in merchandise, imports and exports combined, expressed in rupees, was nearly 40 per cent over the corresponding pre-war figures (taking for this purpose an annual average of the combined imports and exports of merchandise during the five years ending March 1914). The index-number of wholesale prices at Calcutta stood at 141, *i.e.*, just about 40 per cent over the price levels of July 1914. We may conclude, therefore, that as between those pre-war years and 1929 the volume of trade (offsetting the rise in values of nearly 40 per cent against the rise of 41 per cent in prices) must have been roughly the same. Having myself introduced this pre-war standard, let me at once and rather inconsistently ask you to forget it. For, as a matter of fact, as I hope to be able to show more clearly later, pre-war standards are highly fallacious as a guide to the intelligent criticism of modern trade conditions, and therefore still more fallacious as a guide to future developments. I ask you, therefore, to forget the pre-war analogy and instead to examine the course of trade and of prices in India since 1929. Both prices and trade have fallen heavily between 1929 and 1932. The really serious feature is that trade has fallen more rapidly than prices, for whereas during the past four years prices have fallen by

35 per cent, trade values (imports *plus* exports of merchandise) have fallen by as much as 53 per cent.

This is a serious matter, for it indicates a decline not merely of the values but of the volume of trade, and it is an experience which is not confined to India, but one which India shares with most other countries. Naturally the pessimists point to this phenomenon and from it draw the gloomiest forebodings for the future. There is, however, one aspect of the present trade position which is overlooked and which relieves the picture of its gloomiest feautres. For if we go back to the years immediately tollowing the war, we find that conditions then were the reverse of those now experienced. The years 1919 and 1920 saw the post-war boom and the succeeding slump, when trade conditions were most abnormal. Let us start with 1921. From that year to 1925, India experienced five years during which trade steadily expanded although the general tendency of prices was to fall. Apparently what was happening was that the spread of scientific methods was actively stimulating production, particularly of raw materials, which were being forced on to increasingly reluctant markets. While trade was expanding prices were falling and each fall of prices tempted the consuming markets to buy yet more. Actually during those five years the total value of India's annual trade, imports and exports combined, increased by 25 per cent, although wholesale prices fell by over 10 per cent. Then came four years of comparative stability, 1925 to 1929, when Indian trade declined by only 8 per cent while Calcutta wholesale prices fell by 11 per cent. That brings us to the last period, 1929 to 1932, which we have already reviewed and which show a decline of 53 per cent in total trade* values, but of only 35 per cent in wholesale prices. Now, if we fit together these various sections of post-war trade we find that during the whole twelve years from 1921 to 1932 India's trade has fallen by 46 per cent and prices by 48 per cent. In other words, the volume of Indian trade with other countries is now roughly what it was in 1921, in spite of the very serious fall in prices. One would, of course, have expected some expansion of trade as a result of the normal increase of population. The fact that the volume of trade stands to-day roughly where it stood in 1921 is an indication of greater self-sufficiency and less dependence on outside markets.

An important feature of Indian markets and one which is noticeable in other world markets also is the gap which exists between the prices of raw materials and of manufactured goods. This gap is particularly serious for a country like India, in which agriculture plays so large a part in the national economy; for the manufactured goods which India requires and must import must be paid for out of the credits obtained in outside markets for the agricultural and mineral products which she produces for export. If, therefore, manufactures are disproportionately more expensive than the raw materials used in producing them, then the producer of the raw materials must either produce more if he is to buy the same volume of manufactures as before, or must be content with fewer manufactures if he cannot for any reason increase his production or cannot find a market for increased output.

Let me interrupt here for a minute to say that, so far as one can see at present, it is very doubtful if we shall ever return to a balance between the prices of raw materials and of manufactured goods on exactly the same lines as before the war. A balance must eventually be found, and, as I shall shortly show, we are struggling to recapture equilibrium between these two factors, a reconciliation between the claims of the manufacturers on the one hand, and on the other hand, the producers of raw materials. But the equilibrium will almost certainly take new forms, for various reasons which I have not the time to set forth in detail.

Now to return again to the main line of argument. The course of prices in India itself affords clear indications of this lack of equilibrium. If we take the index numbers of raw cotton and of cotton manufactures, respectively, based on July 1914 prices=100, we find that, during the greater part of the post-war period, the prices of cotton manufactures are quite 30 per cent over the parity of the price of raw cotton. As between jute manufactures and raw jute the difference is still more striking, and stands at about 50 per cent.

Now let us revert once more to the course of prices during post-war years. The Department of Commercial Intelligence and Statistics of the Government of India has worked out an exceedingly useful and interesting table which compares year by year, the index-number of the prices of the staple raw materials which India exports with the index-number of the prices of the principal manufactures which she imports. During the

earliest years after the war, say from 1919 to 1923, the gap between these two series is extremely wide, showing how difficult it was for India in those days to import her normal requirements in view of the declining credits which she was securing abroad (through falling prices) for her exports. The worst year of the series, when the gap was at its widest, was the year 1920, when the index-number of manufactured imports stood at 237 (based on July 1914 prices=100), while the index-number of staple imports stood at 140. You will see that there was here in those days a gap of 97 price-points which had to be bridged before trade could become normal once more. From 1923 onwards we witness a curious and interesting phenomenon. The index-numbers of the prices of both exports and imports decline, of course, but they decline irregularly. Actually during one year the index-number of export prices shows a slight recovery, but during the subsequent years the fall continues. What is particularly interesting is that the gap constantly tends to contract. Then every three years or so there is a sudden and violent revulsion, the export figure falling more heavily than the import figure so that the gap suddenly widens again, and then during the next two or three years it again tends to contract. It is as if during those periods—the actual years are 1923, 1926 and 1929—the tendency towards a reconciliation of export and import prices had been carried too far and too fast, and a temporary set-back occurs which leads the way to further approximation. I have not yet received the index-numbers for 1932, but during 1931 the two index-numbers were only 10 points apart. That is a hopeful sign, for it shows that, low though prices are, the prices of manufactures and raw materials are drawing more effectually closer to each other.

I now turn to another aspect of Indian trade, namely, the direction of her overseas trade. With what countries does she normally do most business and what changes have occurred during the post-war years in the direction both of her export and her import trade, *i.e.*, in the list of her principal customers and suppliers?

A good deal of nonsense is often talked about the decline of Indian trade with the United Kingdom since the war. I am not of course denying that this decline has occurred, for it most certainly has—for example, during the five years before the war India used to indent on this country for 64 per cent of her annual requirements from oversea: that percentage is now nearly halved and stands at approximately 35. But I do think that the causes underlying this decline are not always quite clearly appreciated and that sometimes conclusions are drawn from it which the facts do not warrant. For one thing it is often assumed that the falling-off in the percentage of Indian imports from the United Kingdom is a post-war phenomenon. But in actual fact it began long before the war—indeed it was in evidence already during the last decades of the 19th century. In those days the decline of Indian imports from this country relatively to her imports from other countries was concealed by the fact that her total imports were steadily expanding, so that the actual volume and value of the imports from England increased although their importance relatively to imports from other countries was all that time falling off. The fact of the matter is that India has always been a price market and has bought on price rather than on quality, though at the same time she has always been a very careful and judicious purchaser and has quickly recognized quality, especially when combined with low price. In the old days, and particularly in the last century, England had been first in the field with manufactured goods of high quality and low price, and these characteristics had been appreciated in India. Subsequently, however, the competition of the Continent and later of the United States and Japan had led to serious price-cutting. The British manufacturer retained his reputation for high-class goods but a rising standard of living deprived him of the advantage of low costs, while the poverty of the Indian agricultural classes compelled them to buy lower quality goods available from other countries at lower prices. This result is particularly noticeable in cotton piece-goods, and here the critics are right in attributing the most serious decline of British competitive power to post-war years. What has happened may be briefly stated as follows. In pre-war conditions the Lancashire manufacturer had been able to meet very cheaply the essential characteristic of the Indian markets, namely, the desire for specialities. Each market, each class of purchaser, I had almost said each individual family, had its own particular taste in dhoties or saris or lungis, in colour or pattern or design. Then came the war, the post-war boom and the succeeding slump. Under the depressing condition of falling prices, which, as we have seen, fell more rapidly

in the case of agricultural products than in the case of manufactured products, the purchasing power of the Indian agriculturist steadily contracted. He was no longer able to indulge his taste for special fabrics. The comparatively expensive specialities which Lancashire was, and is still, so well qualified to produce, went out of fashion and their place was taken by the cheaper standardized fabrics of the Indian and Japanese mills, which came into fashion with the rank and file of the Indian population, simply as being within their means. One's mind goes back, at this point, to the analogy of the lady's dressmaker and the man's tailor. The dressmaker says, "you simply must wear this because it's unique—nobody else is wearing anything exactly like it." The man's tailor says, "you simply must wear this because everybody's wearing it." Indian taste has shifted from the dressmaker to the tailor.

Before leaving the question of the direction of Indian trade, let me draw attention to one comparatively recent development of some importance. Although, as we have seen, Indian imports from the United Kingdom have fallen proportionately while those from the Continent, Japan and the United States have increased, there have recently been welcome signs that the decline in the trade with the United Kingdom has been arrested. During each of the last four years, 1928-29 to 1931-32, this decline was continuous. The actual figures representing the percentage of Indian imports from the United Kingdom calculated on total imports were, during the four years in question, 44, 42, 37 and 35. For the eight months, April to November, 1932 (the latest available), the percentage is steady at 35. On the export side there had been comparatively little change up to 1930-31. During the five years before the war India sold to the United Kingdom, on average, 23 per cent of her total exports. In 1928-29 and in 1929-30 the percentages were 21 and 22. In 1930-31 it was 23 again, the pre-war figure. It is since 1930-31 that the most interesting developments have arisen, based partly no doubt on the effects of the "Buy Empire" campaign of 1931, for in that year the percentage of Indian exports, jumped to 28—considerably above the pre-war figure of 23—and during the eight months April-November, 1932, when the new preferences came into force, the percentange has still further incrased to 30, a figure which must be in the nature of a record. Let us hope that the result of the Ottawa agreement, and of the preferences exchanged between the two countries, will be to increase both sides of the account.

And now I come to the last of the sign-posts which seem to stand out from the survey of Indian trade. I have mentioned it once already—the spread of scientific methods of production. Sometimes it seems as if the physical sciences were progressing a little too fast—at the expense, almost, of economics! Everywhere science is reducing costs, shortening methods, saving time and money, and minimising waste: and India is no exception to this tendency. The story of the industrial expansion of India during the past 20 years, and especially during the last decade, would require many volumes if it were to be written in full. Fortunately, statistics of India's industrial production are now prepared and published, and it will be interesting to watch the figures over the next few years. On the agricultural side, too, much progress is being made from year to year, not only by means of the Sukkur Barrage and other great irrigation works, but also by the evolution of new types of cotton and jute, food-grains and oil-seeds, both resistant to disease and also calculated to give the cultivator the best return from his land. It is almost staggering to think that every day new methods of industrial and agricultural production are being planned and perfected, at a time when stocks of some primary products are so much in evidence and tend to depress all markets. One can only hope that scientific methods will sooner or later be able to solve our last and perhaps greatest economic problem, the equation of effective demand with efficient production.

I now come to the third and last of the questions before us. To what future developments do these indices point? I think you will probably grant me one premise readily enough, and it is this. Whatever the future may bring forth will be new development on new lines. The old pre-war standards of what constituted normal methods and channels of trade and normal price-levels have gone, and gone for good. The chaos through which we are passing now is merely the raw material of future forms not yet clearly outlined. I know the old catchword, that there is nothing new under the sun and that the old economic laws are fundamentally immutable. But the whole economic order seems nevertheless to be changing and though the same economic laws may be, and undoubtedly, are, still at work, they are operating under conditions very different from those

obtaining before the war, conditions now quite incapable of being remoulded on prewar lines.

If one were to try to define this change in the briefest possible way, I suppose one would begin by describing it as primarily a change of attitude. We no longer live, or think along the old-fashioned lines of *laissez-faire* economics. That school has had its day. It was based on the extraordinary assumption that every man or woman, in the economic sphere, is the best arbiter of his or her own interests. But as a matter of fact is that so? We should like it to be so, and I firmly believe we are slowly heading towards a new economic order in which that very highly desired and desirable end will eventually be realized. But a great many prior conditions must be fulfilled before that end is in sight—conditions involving improved standards of living and improved education the world over and not merely in favoured sections of the globe. Individualism is certainly an ideal to be aimed at, but it must be based on a society of individuals who have the welfare of the society as a whole nearest to their hearts and are able to put it before mere selfishness—in fact, a declaration of interdependence rather than of independence, as some one pithily remarked the other day.

On all sides we hear of rationalization, of planning, and now a new word, technocracy, is given us. As far as I can see they all mean much the same thing; that the old slipshod happy-go-lucky methods by which everyone is the arbiter of his own economic destiny are superseded by the idea that the economics of life are both interesting and important and therefore well worth a little study, a little planning, a little control—I would even go further and say a little self-control. In other words, co-operation is the keyword to our economic future, and a co-operation which shall be sincere and thoughtful rather than haphazard.

But I am afraid I have been tempted too far along the seductive path of abstract principle, and must return to Indian trade and its lessons for the future course of world trade. As we have seen, the discrepancy between the prices obtainable for raw materials and those demanded for manufactures has a good deal to do with our present difficulties. We have noticed that the gap is narrowing, but that it obstinately refuses to join up, at any rate on pre-war lines. The fact is that although the 'present general trend of all wholesale prices is downwards, and stagnation is everywhere the order of the day, yet beneath that stagnation—or should we say, rather, on its surface—there are indications of nervousness and jumpiness. From a distance the stagnation appears complete. Take a closer view and you find the surface constantly and ceaselessly agitated. Prices fluctuate under the slightest pretext and the stagnation merely underlies a lively competition for the infinitesimal business that is going. Judged by pre-war standards buyers and sellers are in all markets in much too close a juxtaposition, and either party tends to make too much of any temporary weakness on the part of the other. In order to get a clearer conception of the real position, it is necessary to examine the question of stocks, for stocks have a close bearing on the equation of demand and supply and, therefore, on the price factor.

In pre-war days, the existence of considerable stocks of goods, whether raw materials or manufactures, was quoted a common feature and these stocks were generously distributed all along the chain of traders, from the primary producer *via* the dealer and broker to the exporter and thence *via* the foreign importer and broker to the foreign consumer. The cumulative effect of these stocks was to keep the original producers and the ultimate consumers far apart. Purchases all along the chain were largely purchases for stock and sales were largely sales from stock. But now-a-days the tendency is to keep stocks at a minimum, with the result that the responsibility for maintaining them is largely thrown back on the original producer, whether of raw materials or of manufactured goods. And there is this very significant difference between the positions of the primary producer and of the manufacturer in regard to stocks of the commodities which they respectively produce—that the latter, the manufacturer, is capable of slowing down production to equate demand whereas the single object of the primary producer is and can only be to produce as much as his land is capable of producing—I am speaking here of the agriculturist and not of the producer of minerals. The agriculturist can, it is true, vary his crop from year to year within certain narrow limits, while the manufacturer cannot ordinarily vary the character of his goods. But in any case the agriculturist must simply go ahead and produce the maximum of which his land is capable. He gets his best profit when his own output is high while that of his rivals is for any reason, whether of climate

or lack of skill, reduced; conversely, he loses most when his own crop is restricted and the crops of his neighbours are abundant.

I have spent some time over the consideration of stocks because I think it is a problem of very great importance for the future. It does not do to overproduce, certainly, but it is still worse that the world should un short of any vital commodity. I suggest hat in the days to come all markets will grow gradually accustomed to the idea of ieavy stocks, particularly of primary products, held largely by the producers themelves, probably acting co-operatively. I do iot think it is any exaggeration to say that overproduction has frequently occurred in he bad old pre-war days; but that its effects vere never so acutely felt as to-day, largely ecause the stocks were widely distributed hroughout the trade and consequently their noral effect was less depressing than it is t present. In the future such stocks must e taken as all in the day's work, for they epresent a working reserve, and if the reserve ends to become excessive, then means must e devised to adjust it. What those means ill be, it is impossible to forecast. All e can say is, that various expedients are eing tried, whether by co-operative action, y price-cutting, by restriction of output r by other means. Some of these measures ive rise to retaliation and are obviously redoomed, but equilibrium is the common bject of all and some common solution ught to be possible.

We have dealt with prices and we have ealt with stocks; let us turn in conclusion the closely allied subject of scientific proiction. We have already noticed what emendous strides the natural sciences are aking, and their effect in saving man-power well-known to everybody. It is difficult ven to conjecture what the future has in ore for us here. Certainly, our present stem of throwing men out of employment id then passing round the taxation-hat to ovide funds with which to keep them alive es not seem to be the most promising. he best that can be said of it is that the rsonnel of the army of the unemployed constantly changing, and therefore that ore and more of the workers, as they pass rough the system and back into employent again, realize that something better is edful. The forty-hour week promises well, it it would have to be universally accepted id enforced. Anyway, one thing is certain, at there is a distinct tendency for the science of economics to lag behind. In other words, the methods of production have outstripped the methods of distribution, and the latter must be thoroughly overhauled and brought up to the same degree of efficiency as the former. Here again, perhaps, co-operative methods have not gone quite far enough or quite wide enough, especially in respect of retail distribution. The spread between wholesale and retail prices is as marked as that between the prices of primary products and of manufactured goods. Surely, these gaps imply lack of co-ordination, for which co-operative method seems to supply the most promising of all remedies.

I should like, then, to close on the note of co-operation as the one which appears to afford the greatest promise for the future. The old wasteful *laissez-faire* attitude is giving place to a new attitude which I cannot define better than by the words "constructive, co-operative control". Competition was all very well in the past, and it had its uses. But its value was based on two assumptions which we now realize were largely misleading. The first assumption was that the efficiency based on a regime of free and uncontrolled competition was worth all the wastage of labour and capital which was an inseparable feature of the regime. It is difficult, of course, to strike a balance, but thoughtful people are becoming more and more convinced that the price then paid was much too high. The second fallacy was a more obvious one, and it was simply this. It was assumed that competition was inevitable, and that as waste was so closely linked with competition, then waste itself must be an essential feature of the system. Was anything less proved or less porbable? As if, because we are human and some waste is bound to occur, we cannot make the further effort necessary to reduce that waste to a minimum. As if the genius of man, which evolved the system, was bound to stop there and was not free to go still further and reduce the evils inherent in the system. As if, in fact, man were an agency inferior to the systems which he creates. No, competition may and almost certainly will continue to be necessary. But it is surely not too much to ask that it shall be competition restrained and controlled. As a constructive force competition is too instinctive and too haphazard to be allowed to occupy the whole field, and it will only yield its best results when subordinated to the new spirit of constructive and co-operative control.

The Risk of Paddy and the Hope of Sugar.

By K. S. Srikantan, M.A., F.R.Econ.S.

The mere talk of sugar at a time when one is depressed has often a smoothing effect; much more so when its manufacture is suggested as a remedy for the unparallelled economic disaster which our country is passing through to-day. At a time when the price of paddy has fallen very low, it is certainly of vital importance that the opportunity should be taken for fostering the growth of sugarcane cultivation as to make India self-supporting. At present, the presidency of Madras *alone is* importing no less than 80.0000 tons of sugar per annum, and this in spite of the protective tariff. But the atmosphere is not without hope. Some provincial governments have begun to realize the magnitude of the problem and have given public expression to their sense of *profound responsibility in the matter.* The State of Mysore which has always stolen a march over British India in all matters, has already paved the way in the matter of sugarcane cultivation. A gigantic factory with a capital of Rs. 20,00,000 has been started to manufacture sugar out of sugarcane produced *in the surrounding areas. Immediately* following the announcement in Mysore, the Director of Industries in the Madras Presidency gave out his opinion in two successive notes in the papers. "The Madras Presidency is one of the most suitable parts of India for sugarcane and a campaign has already been launched by the Agricultural Department with a view to further extension of the area under this crop. The sugar requirements of this Presidency can, it is estimated, be met by bringing in an additional extent of 35,000 acres under sugarcane cultivation." Whether the cultivation of sugarcane will be a successful venture or not, there can be no two opinions about the fact that the cultivation of paddy is no longer an economic proposition. It is necessary before we take up the question of the possibilities of sugar to find out why the future of paddy is so hopeless.

The catastrophic fall in the price of paddy has upset the family budgets of hundreds of landlords and thousands of peasants. This has naturally attracted the attention of *some experts who are still diagnosing the* disease. It would be easy to trace this fall to the recent "Financial Crisis" which has become practically the waste-paper basket *of the economist. In fact, there is hardly* any economic ill of the present day which is not directly or indirectly traced to this crisis. Unfortunately, a careful student of Economics cannot blame the crisis (however blameworthy it may be otherwise) for this phenomenal depression in paddy. The prices of paddy began to fall long before the crisis began and it has been universal and persistent. The price per salagai in Coimbatore District has come down from Rs. 14 to Rs. 7 while that of a kalam in Madura and Ramnad Districts has fallen to Rs. 3 from Rs. 9 and the price per palla in Mysore Province has come down to Rs. 3-8-0 from Rs. 10. That the depression in paddy is peculiar to itself is revealed by the fact that while among other agricultural products, there is a tendency to recover, we do not find any such sign in paddy. *In fact, paddy in the agricultural economy seems to be losing its autocratic position as "Gold" in the currency systems of the world.*

It is naturally the duty of the economist to ascertain the causes of this meteoric fall and assess the place of paddy in the future *agricultural policy of India.* That we are having economically, culturally and socially a lopsided, inadequate and imperfect development is admitted on all hands. If the danger of our economic prosperity is too much reliance on agriculture, the danger of our agriculture is too much reliance on paddy. In fact there is a feverish anxiety on the part of our farmers to prepare their land for paddy cultivation, and wet-cultivation, with very few exceptions, means to the majority paddy cultivation. This love of paddy is ages old and the partiality to paddy has naturally increased the area under paddy considerably resulting in over-production. During the years 1920 to 1924, she had to her credit 80,683,900 acres, the largest area in the whole world. The area is still on the increase. The quantity of paddy produced has increased not only on account of extensive cultivation but also on account of intensive cultivation. The Agricultural Department will have no justification unless it increases the productive capacity of our lands. As it is, the yield per acre in India is reckoned at 1,310lbs. *per acre, while that in* Italy is 3,670lbs. per acre. Thanks to the labours of the paddy specialists, there is a considerable improvement. Their work of improvement consists

in (1) better cultivation of the land, better manuring and use of proper seeds, (2) growing of particular varieties, most suited to the locality, (3) isolation and hybridization. "In India," writes the paddy specialist of the Madras Presidency, "the general standard is still low and so far as the crop specialist's work goes, there is immense scope for improving the present output by 10 per cent by mere isolation of superior strains from the existing varieties. It is easy to imagine the increase in quantity if an all-round increase were possible." From our point of view this is not a good sign. We are witnessing already an over-production in the most superficial rice culture we are having. If by intensive cultivation production improves as anticipated the plight of the farmers cannot be imagined. While in other countries an increased intensive cultivation has meant a corresponding decrease in the area, here both are seen moving forward side by side. In Italy we find the following:—

		Hectars (24 acres per hectar.)	
1870-1874	..	232,670	4,810,900
1879-1883	..	201,850	3,585,900
1890-1894	..	182,450	3,045,400
1901-1905	..	175,365	4,434,500
1910-1914	..	144,998	4,878,700
1915-1919	..	138,618	5,218,300
1920-1924	..	121,408	4,698,800

If Italy had not decreased the area under rice as the quantity per acre increased, she would have had to face a similar difficulty long long back.

In India there is already the danger of over-production. The New Irrigation Schemes have been launched with a view to bring more lands under the same crop. The Mettur Project, when it is complete, will make the Tanjore ryot miserable if additional lands are brought under paddy cultivation.

The danger to rice has risen not merely on account of an increased extensive and intensive cultivation, but also because of competition from elsewhere. In fact, most of the foreign markets are closed. China, Indo-China and Siam have already begun to displace India's position. The Pacific countries require 2,000 million lbs. of rice per annum and the demand is now met by India, Siam and Indo-China. It is, however, quite possible that the share of the latter countries may increase. The production of Japan and her Colonies is increasing and in fact she is trying to create a market by dumping her excess production in our countries irrespective of cost. The Russian and the Korean enterprise in the production of rice shows that they would soon take a large share of the Asiatic trade. In Europe and America, too, the rice production is much in excess of the demand and they release a considerable quantity for the market. That the export of rice from India is falling can easily be seen by the fact that while the export of rice from Burma was 4,805 million lbs. in 1924-1925 it came down to 4,383 million lbs. in 1926-1927. In the case of Bengal it has come down from 601 million lbs. in 1922-23 to 261 millions in 1926-27. The total export for the whole of India has fallen from 5,511 million lbs. in 1924-25 to 4,967 in 1926-1927.

Even if there is a case for the growth of more paddy, it should be done only in areas best fitted for the same. In fact in India, Bengal and Burma are best fitted for rice production and if every province in India devotes its attention to the culture of the particular crop for which its soil is best fitted, the depression in agriculture would be more easily solved. The Presidency of Madras, for example, can devote greater attention with advantage on sugarcane, cotton, cocoanuts and oil-seeds. Burma, which is one of our own sisters, is an essentially rice-producing country and in future will be compelled to look upon India for her exportable surplus. If Madras is to rise to the occasion, she should adopt the crop that is of greatest economic advantage to her.

Besides, paddy cultivation is fraught with a number of other defects. In the words of the paddy specialist, it limits the number of crops which can be grown during the paddy season to turmeric, sugarcane, plantains and betel-vine; and these crops require that the cultivator should possess a considerable amount of capital. It entails enormous waste of water; it necessitates the transfer of cattle which involves loss of manure, and the loss of animals due to several diseases. It creates an unsteady demand, for it increases the cost of cultivation of other crops like sugarcane, plantains and turmeric, because of the drainage difficulties; and very often this forces the cultivator to depend on one crop only.

It is therefore clear that in future the farmers in India should be induced to grow crops other than paddy. There is little justification for developing the irrigation facilities with a view to increase the area under paddy. The sign of the times is already seen in the fact that in Egypt, Sind and the Punjab, large areas served by the new irrigation

projects are devoted to cotton growing. The Mysore State has launched on the experiment of block cultivation. The new areas which are to be brought under irrigation as the result of the opening of the canals of the *Krishna Raja Sagara* are being surveyed with a view to set apart definite blocks for garden cultivation only.

A careful examination of the types and soils in India and the suggestion of suitable commercial crops or substitutes for paddy is what is expected of the Agricultural Department. The protection that the Government has given, it is hoped, will be taken advantage of by the Ryots to increase the sugarcane cultivation. Crores of Rupees are being sent out of India every year for sugar. A league for "Buy Indian Sugar" will have to be soon launched to encourage sugar culture; plantains, potatoes, cocoanuts, cotton and groundnuts should receive the growing attention of the Department. It is therefore necessary that immediate steps are taken to remove this "Paddy-phobia" from among other of our cultivators.

The present position of sugarcane cultivation is, however, very unfortunate. Having 30,00,000 of acres under sugar which is nearly half the world's area under sugar we are still importing large quantities from foreign countries. In fact, while during the period between 1895-99 the output of Indian sugar amounted to nearly 50 per cent of the world's production in 1917-20 it came down to 20 per cent. It is needless to observe that it is nothing short of a tragedy to have such a large area under sugarcane and yet import from foreign countries. In actual, India's sugar production per acre is less than one-third that of Cuba, one-sixth that of Java and one-seventh that of Hawaii. Thus the trouble with Indian sugar to-day is its inability to face the severe competition. To eliminate this competition, mere increase in the area under sugarcane cultivation won't do. Manufacture of sugar by easy methods is of greater importance than increase of area in the near future. But as matters stand at present, large-scale production of sugar after a factory type would be impossible. It is necessary, therefore, to demonstrate to the ryots the best methods of production on a small scale. In the words of the Director of Industries, Madras, "Improved methods of cane-growing are shown at the various agricultural demonstration farms scattered through the presidency and a start has been made at two of the farms to demonstrate how sugar can be produced from the cane. In the Godavari delta alone there will be an increase of 9,000 acreas under sugar cultivation this year, representing an excess value of fifty lakhs over the value obtainable from paddy cultivation and such figures at a time when paddy has slumped give cause for serious reflection. From what I have said, I feel sure you will agree that there is ample room both for factory production and small-scale production and that there is not likely to be competition between the two for many years to come." The hope of sugar, however, rests on the support of the Government. Proverbially conservative as he is, the Indian ryot will not easily take to sugarcane cultivation unless he is convinced of its economic advantage.

A suggestion that "political action" should be taken to deal with the problem of the growth of Japan's exports of cotton goods to India was made at a meeting, at Manchester, of the Association of Managers of Textile Works. Major W. Vernon, who has spent some thirty years engaged in the cotton industry in India, said that in 1912-14 a little over 98 per cent of India's imports of cotton goods in the grey came from Great Britain, and less than one per cent came from Japan. But in 1929-31 the percentage from Great Britain was only 56.2 and that of Japan 42.5. A similar fall in British exports and rise in those from Japan was shown by the figures relating to coloured goods. To-day, Japan was taking a larger proportion of the Indian cotton crop than Great Britain, and was sending back to India goods made from that cotton in a remarkable manner. The Chairman of the meeting, Mr. Harold N. Whalley, said it looked to him as if the trouble was not going to be met by British firms fighting one another for such trade as there was left, but rather by some kind of political action. He had little doubt that the problem would have to be tackled in that way.

A Parisian is making a determined effort to break down the tipping system in France by giving discs resembling in size a 2*sh*. piece. On one side are the words "Make your employer pay you" and on the other "A tip is charity".

Silver: An International Problem.

By James G. Macdonald,

Chairman, Foreign Policy Association, U.S.A.

Silver is not a sectional or a national problem—it is an international problem. The drastic decline in value of this metal during recent years has been a factor in *prolonging the world-wide unsettlement from* the distressing effects of which no nation has *been able to shield itself. Approximately* one-half of the human race either measures *its wealth in terms of silver, or is dependent* directly or indirectly upon silver for means of *subsistence.*

China with its 400,000,000 population, *is largely upon a silver standard,* as are several smaller countries. Most of the 350,000,000 *inhabitants of India count their* wealth in silver. Other millions in Mexico, Canada, Peru and the U.S.A. *are dependent* for their living upon silver production. The *fact that within less than 2 years silver has* lost half of its value in terms of gold has, *therefore, temporarily at any rate, restricted* the purchasing power of a considerable *portion of the world's population as effectively* as if brought about by an equivalent reduct tion of *national* income or destruction o- national wealth.

Stability of Silver.

The extent to which the fall in silver was instrumental in bringing on the depression is debatable, but there can be no doubt that the instability of silver seriously hampers world recovery. The need to stabilize the value of silver is obvious. All of the groups and nations chiefly concerned agree to this. Repeatedly efforts have been made to secure collective action, but so far there has been no agreement on any effective common policy. However, since it is to the interest of the producers as well as the users of silver to restore this metal to something of its former prestige, the task of working out a satisfactory programme should not be insuperable. Success would benefit everybody.

In the Past.

For thousands of years, the value of silver has been fixed either by law or by custom at some definite ratio to gold. It is extraordinary how constant that ratio has been during the ages. In ancient Egypt, ten ounces of silver equalled an ounce of gold. This ratio was given almost a religious sanction. In the Roman Empire, the ratio was fixed by law at twelve to one. *But during the Middle* Ages, it reverted to the earlier proportion of *ten to one. Gradually the ratio increased,* until at the beginning of the nineteenth *century, fifteen ounces of silver were required* to buy one ounce of gold. This proportion *remained so stable that one of the French* economists declared it was sanctioned by *economic* law. *However, during the latter* part of the nineteenth century and the whole *of this century, the price of silver has fluctuat*ed so sharply that it has lost all semblance *of a stable ratio to gold. It has been the* extreme swings of the last twelve years that *have precipitated the present silver crisis.*

Effect of World War.

There is no agreement among the experts as to the relative weight that should be attributed to the many causes for this distressing instability in the value of silver. It is of course clear that the adoption of gold standard by many silver-standard countries during the latter part of the nineteenth century depreciated the price of the metal discarded as a standard of currency values. The World War temporarily reversed this downward tendency. The sudden increased demand for goods from India and China, two great silver-using countries, resulted in shipments to the East of large quantities of silver. The value of silver sky-rocked. So high, in fact, did it become as to exceed the monetary value of the silver currency in India. Hence, there developed an unusual tendency to hoard. For two or three years it seemed as if the rise would continue indefinitely. Then in 1920 a reaction set in. The most severe decline has occurred since 1929, the price having fallen from $0.58 cents an ounce to just under $ 0.30 cents.

One of the first sources sought for an explanation of so precipitous a decline is overproduction. The figures of production and consumption, however, during recent years do not give the clue. The amount of silver produced has not increased so rapidly, proportionally, as that of gold. Moreover it appears that the production of silver does not now exceed the world's ordinary needs. Something more than the traditional law of supply-and-demand has been at work.

The Two Views.

It is sometimes said that this decline in the value of silver is nothing more than one angle of the general slump in commodity prices. Those who hold this view argue that silver, in reality, is nothing more than a commodity; that—like wheat or corn, coal or petrol, copper or tin—it is sharing in the general fall of prices of raw materials; and that, therefore, it is useless to talk of a "silver problem" as distinct from the general problem of the present extraordinary depreciation in the value of the products of the farms and the mines.

Most authorities, however, contend that 'silver is more of a money metal than a commodity'. They point to the use of silver as currency by a large portion of the world's population and argue that, therefore, its price, like the price of gold, is determined by special considerations which do *not affect other commodities. Doubtless there* is truth in both of these contentions. Silver has suffered in common with other raw materials during this period of drastic deflation, but it has also suffered as a result of the adoption by several governments of policies that have affected it adversely as currency.

Government Policies.

One of these policies is what the economists call the demonetization of silver currency—that is, the reduction of the silver content of the coins in common use. In 1929, Great Britain took advantage of the exceptionally high price of silver to debase its coinage reducing the percentage of silver in it by nearly 50 per cent. This made available to the Government for sale nearly $\frac{3}{4}$ million ounces of silver. Dumping so much bullion on the market, of course, affected the price adversely, but the direct effect was relatively unimportant compared to the indirect effect of the example *of demonetization set by Britain.*

Promptly Australia and New Zealand, and later most of the larger countries of Europe and South Amrica, followed the British precedent and debased their silver coinage. These actions piled up a substantial surplus of metal, the sale of portions of which naturally tended to lower the market price. And the *possibility that Government stocks might* be disposed of at any time had a further depreciating effect. Serious also was the psychological effect of these governmental policies—for they undermined confidence in silver as currency.

Heaviest Blow.

But it was the Government of India that struck the heaviest blow at the stability of silver. Six years ago, the Government placed India on what is called a gold bullion standard. "In other words, currency was convertible into gold, but only into bars of gold or bullion, to obtain which, it was necessary to present not less than $8,000 of currency." Obviously, this was only theoretically a gold standard. None the less, its adverse effects on silver were demoralizing. The Indian Government in order to build up an adequate gold reserve had to sell portions of its surplus silver stocks. These sales began in 1927. Since then, the world price of silver has fallen 50 per cent. And it should be noted in this connection that those opposed to the action of the Government of India warned the authorities as early as 1925 that the proposed gold standard would work havoc with silver values.

More recently the political unrest in the Far East has further disturbed the silver market. In India, which holds perhaps half of all the silver in the world, the Nationalist movement, the boycott and the civil disobedience movement, answered by the Goverment's special ordinances, have seriously crippled trade.

In China, which rivals India as a consumer of silver, civil war, political instability and excessive taxation have been demoralizing business. These abnormal conditions, undoubtedly, have operated further to depress the price of silver, while the instability in the value of that metal in turn worsened business conditions both in India and in China.

It is generally conceded that the present unsettlement of the silver market is bad for the producing countries—the U.S.A., Mexico, Canada and Peru—bad for the consuming countries—India, China and others—and bad for the world business conditions on the whole. But what can be done to remedy the situation? The obvious answer is to stabilize the price of silver within reasonable limits. But how to accomplish this is a more difficult question, to which many answers are given. One of the solutions frequently urged is the limitation of production at the mines. That, however, would be difficult, for the *greater part of silver output is incidental* to mining operations for other minerals. Usually silver is a by-product of operations for gold, copper, lead, or zinc; so that silver continues to be produced more or less irrespective of price. Thus there seems to be

no practicable way to secure a drastic cut in production as a means toward raising the price of silver.

DUMPING BULLION.

Moreover, even a limitation on output would in itself be ineffectual if the governments that have recently been selling silver continued to dump the bullion on the market. It would, of course, be helpful, if these governments agreed to refrain from selling, but that would be only a partial remedy, and one which they are not likely to adopt, except as a part of a more comprehensive programme.

A more radical suggestion is the re-establishment by international agreement of some form of bi-metallism—that is, the restoration of silver to its former monetary position at some fixed ratio to gold. In U.S.A., bi-metallism has been discredited ever since the campaign of 1896, when Bryan fought for the principle of bi-metallism at a fixed ratio of silver to gold of 16 to 1. Nor is bi-metallism likely to gain favour at present. In Europe, some prominent financiers and economists advocate the dual monetary system, but they are in the minority. Bi-metallism raises so many old bogies, occasions such lengthy and acrimonious, theoretical discussions, that it tends to confuse rather than clarify the silver issue.

A NEW PROGRAMME.

More practicable than the suggestions so far discussed is, I think, the programme recently outlined by Mr. Francis H. Brownell, one of the most competent American students of this problem. His plan, in brief, is that the nations of the world should retrace their recent steps and attempt to undo the damage done by their activities in degrading silver. Such a corrective programme on the part of governments would mean that they would "stop any further demonetization of silver now in use"—that is to say, they would not further debase their silver coinage by reducing its silver contents; that they would disclaim any intention to sell their present stocks of silver; and that they would "make clear their intention to resume the use of silver to the same extent as before the World War". This would not involve fixing any definite ratio between silver and gold. It would, however, restore silver coins as currency for every-day use in transactions of small amounts.

It is contended that this programme, if put into effect by the governments, would automatically "restore silver to pre-war values....preserve it for the present and future monetary needs of the world, and lessen the present—excessive—burden on gold". Perhaps this confidence in the effectiveness of the plan is exaggerated, and possibly it could not be made to operate so easily as its advocates contend. None the less, it certainly deserves the most careful considerations by the governments concerned.

There are, on the other hand, economists and financiers who argue that any such programme to restore silver as a supplementary currency would interfere with natural laws. They assume that silver has been depreciated solely by natural causes, and declare that it would be futile and dangerous to try to counteract such forces. This position might be tenable, were it not for the fact that mistaken governmental policies since the war have had much to do with the fall of silver. To assume, therefore, that no efforts should be made to counteract these mistakes is to argue "as if errors were natural, and as if an effort to correct them were an unwarranted intrusion on economic life". That plainly is absurd.

INTERNATIONAL ACTION.

If the silver problem can be solved, it requires international governmental action. No single government can rehabilitate silver. Perhaps all the governments, working together, cannot do it completely. But certainly they ought to try. No good can come out of the present policy of drift and inaction. Its continuance in the face of a world problem will hinder a solution which would directly benefit one-half of the world's population, and indirectly profit the other half.

According to *The Railway Gazette*, a new type of wheel which has been developed for use on a rail omnibus by a German firm, incorporates rubber discs in the centre portion, which, it is claimed, absorb the vertical shocks occurring at the rail joints, damp violent side shocks when running over points, provide for elastic transmission of the starting and braking momentum, reduce the tangential angle of the wheels, prevent swaying when entering curves. The vertical shocks not absorbed by the rubber-fabric disc wheels are taken by long and flexible laminated springs, the ends of which are so designed to permit of freedom of movement in the brackets whilst in action.

Adam was all right when he kept on working in the garden. It was when he stopped to gossip that the trouble started.

Vocational Secondary Schools.

By Dr. K. N. Kini, M.A. (Hons.), A.M., Ph.D., Dip.Edn.

In *The Times Educational Supplement*, December 24, 1932, Mr. H. W. Howes has made an interesting suggestion, the salient features of which were mentioned in the leading editorial article of that paper in its succeeding issue, which seems to have rather caught the imagination of not a few educators in England, more especially perhaps because the statement is couched in language savouring of radicalism. Mr. Howes says, "We have central, day continuation, junior technical, junior commercial, and secondary schools. All these I would abolish to form a new scheme with three types of schools—commercial secondary, technical secondary and academic secondary, with reasonably easy transfer of pupils from one to the other where advisable. In the first and second types, I would insist on a fair proportion of cultural subjects, as without them no one can be considered rightly educated. Further, in these two there should be ample provision for an increasing amount of practical training in offices and works." The proposal is due to the fact that commerce and industry are not quite satisfied with the equipment of the graduates of the academic secondary schools that seek employment in commercial and industrial concerns. Moreover, need is keenly felt for bringing together in closer relationship commerce, industry and school so that each may react on the other for a more wholesome training of the youths to fit them to face the battles of the work-a-day world.

Our Needs in India.

With us there is no question of abolishing the central, day continuation, junior technical and junior commercial schools for the *mere reason that we have precious few of* them. Our need in India is to bring into existence vocational secondary schools—for teaching commerce, industry, agriculture and home-economics—to serve the interest of those who are not fitted to go to the University for want of intellectual capacity or pecuniary means, or who would deliberately choose to remain on the farm or in commerce and industry or at home even if they have the requisite capacity as well the means to go to college. The need for vocational secondary schools to run parellel to the academic ones is keenly felt especially by the rank and file of the population. Nearly four years ago, in connection with my educational survey work in Mysore, I discussed some of the educational problems with many of the educated as well as the illiterate men and women of the State that were engaged in diverse vocations, and the discussions led me to make the following recommendation:—"A new kind of school must be brought into existence to serve the needs of the drop-outs. As a working proposition a third of our Incomplete Middle and Middle Schools may be converted into what may be aclled the vocational schools wherein the time is equally divided between the vocational subjects and the literary subjects...The Public Examinations for pupils studying in these schools may be held at the same time that the Lower Secondary and Middle School Examinations are conducted but separate question papers to suit their standard will have to be set....

"Vocational High Schools conducted very nearly according to the above scheme are a great need at present. One of the causes of unemployment among the uneducated is undoubtedly due to the production from our High Schools of men that have an excessively literary bent of mind who are not required in trade and industry in such large numbers ....We must produce S.S.L.C.'s who possess a thorough grasp of some commercial subjects or some branch of industry."*

Nowadays the unemployment of the educated has brought the question of vocational education much to the forefront and eminent persons in our country have been devoting much time and labour in placing their views before the public. The state of the poor students who persevere through a linear school-college course to earn a degree has been well depicted by Sir Profulla Chandra Ray in a recent book of his where he says that the average young man turned out by our universities "betrays a lamentable lack of initiative, resourcefulness and pluck when he is thrown upon the world and has to fight his way through it."† The truth of these remarks cannot be gainsaid by anybody because they come from an educator of the first rank in our country who has devoted his whole life in training batches of chemists

* *Report on the Educational Survey in Mysore*, 1927–28, pp. 303–09.

†*Life and Experiences of a Bengali Chemist* (Kegan Paul).

every year, in running many a successful industrial concern and in helping scores of poor students with money and timely advice.

But is the poor student to blame when our educational ladder is so set that the main assent along it is from the elementary to the *college passing through the academic secondary* school and when there are so few side tracks along the passage and practically no parellel courses leading to the vocational training? What is wanted is the starting of vocational secondary schools into which should be drawn the major portion of the youths of the land, leaving comparatively fewer people to go to purely academic courses.

WIDENING THE SCOPE OF SECONDARY EDUCATION.

Of course there are many among us who will at once protest that "man does not live by bread alone" and that it is no use bringing into our school system "bread and butter" standards. But let us not forget that "man cannot live without bread" too, and that the so-called cultural education is not without its *vocational* aspect when it ultimately ends in the professions. Moreover, the proposed vocational secondary courses are a wholesome combination of cultural education and *practical training which would enable* youths to be intelligent citizens having adequate training and capacity to take part in the industrial, commercial, agricultural and home-economics activities of the nation.

We have now to give a more liberal interpretation to secondary education, bringing within its scope culture as well as vocational training blended in wholesome proportions. *The School Leaving Certificate Scheme is so* much associated with the academic work alone that the people would find it rather hard to bring within its limits work with the "hands and eyes". But the time when all pupils could benefit by *purely* literary education are gone. Moreover, in the future even more than at present, more and more of the youths of the land will seek admission into the secondary schools—boys and girls of varying intelligence, capacity and aptitude, and provision will have to be made to suit the courses to their needs instead of taking them all through the one channel of literary studies.

AMERICAN EXAMPLE.

No nation voluntarily supports such a large proportion of school-going population in its secondary schools as the United States of America and no nation has given such a bold lead in the establishment of vocational secondary schools as that country. The danger of over-emphasizing literary studies for all was clearly envisaged there about 15 years ago; and the Federal Government of the United States of America then came forward with a scheme by which it offered to reimburse half the expenditure on certain important *items of vocational secondary schools* if the individual states would establish them. The forty-eight states took advantage of the offer quickly. To-day that country spends over nine crores of rupees on these schools. The only important conditions that the Federal Board for Vocational Education at Washington imposes on the individual states are that the pupils under instruction should be above *the age of fourteen years, that half the* school time (30 hours a week) should be devoted to practice work on a useful or productive basis, that the training should be given in schools or classes under public supervision or control and that the instruction should be of less than college grade.

The vocational secondary schools are as a rule costlier to establish and to maintain than the academic, and they cannot be brought into existence by private initiative only. Liberal financial help from the State is absolutely needed. The future Federal Govern*ment of India will have to take the initiative* in formulating a scheme on an all-India basis of co-operating with the Provinces and the Indian States to establish such schools. The larger Municipalities and Local Boards will have to interest themselves too in this matter. A fair proportion of the pupils in the Secondary Schools will have to be trained in some vocation which they can follow on leaving school. *The present practice of imparting* only academic training to each and every pupil that goes through the Secondary Schools is fraught with danger.

In 1925 the late Sir Ganga Ram, Kt., C.I.E., M.V.O., R.B., Lahore, handed over to the Punjab Government a sum of Rs. 25,000 for the endowment of a prize of the value of Rs. 3,000 to be called the Maynard-Ganga Ram Prize and to be awarded every three years, for a discovery, or an invention, or a new practical method which will tend to increase agricultural production in the Punjab on a paying basis. The competition is open to all throughout the world. Government servants are also eligible to compete for it. Applications for the next award should reach the Director of Agriculture, Punjab, Lahore, on or before the 31st December, 1933.

Nature and Economic Expansion.

By Ivar Hogbom, D.Sc.

Two kinds of secular movements in nature have had a decisive influence on the development of human geography from prehistoric and historic eras down to modern times. One is the displacements of climatic boundaries, in particular those of the temperate zone. During the palæolithic Stone Age steppe and tundra climate extended over Central Europe to the South of France, while large parts of the continent were covered with land ice: in later time also wanderings of peoples have been caused by changes in the spread of the desert regions of Central Asia and North Africa. Another important change in natural conditions has been the displacement of the boundaries between land and sea. The bulk of the population of Sweden, Norway and Finland now live on land which has risen out of the sea during the last ten thousand years while considerable regions populated during the later Stone Age and the Bronze Age, now lie beneath the waters of Southern Baltic, the North Sea and off the south coast of England: similarly, the site of the oldest civilization of the Euphrates-Tigris region is now partly submerged by the Gulf of Persia. Such displacements of civilizations owing to changes in the natural conditions can be followed down to early historic times, and there can be no doubt that the present map of the civilized world would present a very different aspect, if coast lines and climatic boundaries had been so stable as they appear when viewed in the usual short-time perspective. In reality, however, climatic boundaries and coast lines have been moving, bringing about changes in the conditions of life of peoples and civilizations, causing the advance of one race, the decline of another.

Have these, mainly prehistoric, changes any bearing on present-day problems? Evidently, displacements of this nature are so slow that they need not be counted among the factors which have caused the rapid changes on the map of civilization in later historic eras and in modern times. Dynamics in physical geography and archæology petrifies into statics in modern human geography. There are, however, analogies between these, apparently so markedly dissimilar, processes in ancient and in modern times. Now as in the prehistoric ages centres of civilization are displaced chiefly under pressure of changing conditions of life. But while formerly great changes were produced by secular processes of nature, they are now above all connected with the development of technical science and consequent changes in general conditions.

It has been contended that the harvests, and consequently world economy in general would be affected by climatic periodicities, notably those which are supposed to be connected with the sunspot variations (the 11-year cycle). I do not believe that any such connection can exist, for one reason because influences from climatic periodicities must necessarily have different effects in different climatic regions. This question, however, cannot be treated here, and of course the problem of periodicities as such in economic life falls outside the scope of this article.

The climatic variations from year to year, but about known averages, nowadays constitute the most incalculable intervention of Nature in the course of economic events. Though the general laws of aerodynamics are known, science has not mastered the material sufficiently, to be in a position to make annual forecasts. The fluctuations of the wheat crops in different areas give the economically most important evidence of the play of the climatic factor. Without entering further on this question I only wish to point out that no known correlation exists between the large wheat-growing areas, in regard to variations in the climatic factors determining the crop. From the point of view of pure probability the variations of the world's wheat crop would have been expected to reach greater extremes during the course of a couple of decades, than has actually been the case during the years 1900—1930. I have thought it desirable to make this observation, having regard to the very marked, though presumably transitory, effects on world economy that would follow the occurrence of an incalculable extreme of this nature.

A factor of the greatest importance for the whole course of material evolution and the geographical location of economic activity is the uneven, apparently arbitrary, distribution of natural resources. Below some problems in this sphere will be discussed from different points of view.

Economic geography is full of surprises: for instance, a country or an area, which has never played any part in the production of

a certain commodity, may suddenly launch out as a producer of that commodity on a large scale. An analysis of the element of *surprise might be worth while.*

As far as concerns soil and climate the continents are now well known. Broadly speaking there are no secrets in regard to the natural conditions required for various kinds of vegetable production. Thus, it has long been known that Southern Russia and extensive tracts of Asiatic Russia possessed every resource in climate and soil for a much larger production of wheat than hitherto. But an effective development of production was not considered realizable within this region with its particular conditions of population and culture. *Mutatis mutandis* the same remarks apply to Manchuria and the forest regions on the White Sea. These instances refer to Russia and the Far East; others could easily be given from other parts of the world, although they have not for the moment the same degree of interest.

Mineral resources are sometimes discovered unexpectedly. Apart from some of the gold fields, however, a new large-scale production as a rule is based on natural resources which have long since been discovered, and made their appearance in geological publications and in geographical mannuals and works of reference. There is generally less reason to be surprised that the production in question is technically possible and profitable, *than that it has not been started earlier.* This may indicate how an aspect of the future geography of world production may be conceived: the natural resources which will gain economic actuality during the next few decades are already fairly well known. The question rather is in which order they will be taken up for exploitation.

Even in the case of oil, where chance plays a larger part than regarding any other mineral product, the world is not, or need not, be confronted with sudden, incalculable displacements of production centres. When in a few years the political Mosul field begins to make its contribution to world production with a modest few per cents, this will cause no surprise. Thanks to the disputes between the Powers about sovereignty and the bargaining for oil quotas, this field has been sufficiently advertised for its existence to have become generally known. But the political element apart, the exploitation of this region may be said to have run a normal course. The prospecting front as a rule is ten to twenty years ahead of the exploitation front. The emergence of Venezuela as a big producer of oil, ought not to have been unexpected. Already before the war it was known and testified that the soil of Venezuela was soaked with oil. The big surprises in the history of oil production in recent years have come not from exotic countries, but from areas which were supposed to be well known and thoroughly explored. In the United States really incalculable, sudden changes in the relative importance of the various oil fields have taken place. This is due partly to the fact that initiative and machinery have been on the spot, but partly also to improved methods of geological and geophysical research, which have made discoveries possible in localities where no surface indications of oil are to be found. But above all production sets in so suddenly because, geographically speaking, the new oil finds do not lie within a potential, but within the actual exploitation zone.

These examples serve to illustrate how unexpeted displacements of the centres of production of raw commodities are not as a rule due to lack of knowledge of the natural resources. At first sight it would seem that it is our inability to foresee the behaviour of the human factor, that makes it so difficult to predict developments which may have a disturbing effect on existing conditions in regard to production geography. On closer reflection, however, the natural factors will be found to dominate, and the displacements of production, apart from merely temporary ones, will be seen to have involved a continuous adaptation to natural conditions. But this adaptation must not be regarded as an isolated phenomenon, and must not be viewed as an independent motion. Essentially it implies gradual displacements in connection with new conditions which are continually being created by the secular increase of population, by technical evolution and by the geogtaphical expansion of economic life entailed by these variables.

Between the economic progress of the last century and the continuous geographical expansion of production, there exists undoubtedly a causal connection, which, although incontestable, is very frequently overlooked.

The most stable factor in the economic history of the last half-century before the war, otherwise so variegated, has been the specific rate of increase which has been a characteristic of world production of the principal raw materials. When the effects of short-termed changes in the economic trend have been evened out, and apart from the

abnormal disturbances entailed by the war, this rate of increase has in most cases not shown any noticeable change, a fact which I have discussed in another connection (Proceedings of the Royal Swedish Institute for Engineering Research, 117, Stockholm, 1932). Such a steady increase in output would obviously not have been possible if new resources had not become available for successive exploitation. Only in a few instances such resources *could* have been obtainable on an adequate scale in the original countries of production. The output capacity of these countries, moreover, is being gradually reduced by the continuous depletion of the natural resources. Only in regard to stone and coal the supplies are so large that the reserves are not appreciably affected by the mining now in process.

We speak of actual and potential resources, but it would be more to the point to speak of actual and potential regions of production, keeping in mind that the boundaries are constantly being displaced, so that the actual areas are extended, and the remaining potential areas are gradually reduced. For instance, the actual area for the production of gold may already be considered to cover the whole globe. For copper production only certain regions where exploitation is impeded by the climate, remain outside the actual region. In the case of most other world commodities there is still scope for an extension of production, but in some cases it is evident that the time when the limit of expansion will have been reached, is not far off. This will necessarily cause a deflection of the respective production curves, if these would otherwise have a tendency to rise at a stable rate in the future as before the war.

What is the effect on the map of the world of this geographical expansion of productive enterprise, by which ever larger areas are brought within the compass of the actual region, while the remaining potential region is constantly reduced? In order to give a reply to this question I revert in the first place to the production of cereals already referred to.

Climatological maps have been constructed in which the world is divided into climatic provinces, *i.e.*, regions within which temperature, rainfall, etc., keep within certain suitably defined limits. A map of this kind does not give an accurate representation of the possibilities for cultivation, for one reason because no consideration is given to topography and soil, which to a certain extent are conditioned by the climate but also by other factors; the essential features, however, appear. Thus, there are on these maps certain large climatic provinces which might be regarded as the natural wheat regions of the world. Wheat is a xerophilous plant which only by a slow process of adaptation in the service of man has been made to thrive in a comparatively moist climate. However, modern mechanized methods of agriculture are specially suitable for large-scale production of wheat in comparatively dry regions (dry farming, etc.). In other words, wheat, which in the course of centuries has been improved in other climates, is being restored by technical science to areas with a climate similar to that obtaining in those regions where the plant had its original home. As one of the requirements is a continental climate, there are only two really large areas of this type in the world. The one is in the interior of North America, and has a north-to-south trend, the other is in Southern Russia, stretching into Siberia, and running from west to east. It should be mentioned that besides minor areas of a similar climatological character, there are also other areas well suited for the production of wheat, although with a different climatic formula. These, however, cannot be compared in extent and importance with the above-mentioned Russian and American regions. If the factor of soil as well as of climate is taken into account, it will be found that the area suitable for wheat cultivation in Russia is about four times the size of that in the United States.

The exceptional material progress made by the United States as a rule has been attributed to American enterprise, to the special American system particularly, at a time when wheat played a greater part in the economic greatness of the United States than is now the case. If Russia should be able to produce wheat on a large scale, the credit doubtless will be given to the five-year plan. In both cases, however, temperature and rainfall have been more important factors than the system. As far as Russia is concerned there is probably reason to reckon with its natural advantages for cereal production as well as large-scale production of industrial raw materials, far more than with any five-year plans, as a factor which in the long run may give Russia the lead ahead of the West in material progress.

The natural resources of Russia are almost unique, and they are better adapted for planned exploitation on a large scale than those of other countries. A simple comparison of

the topographical and climatological maps of Western Europe with those of Russia, will bear out this statement. On the map of Russia the natural provinces form large continuous sweeps of country; Europe is all split up into small areas. The geography of Europe is not less intricate on the physical than on the political map.

As Russia is at the moment the subject of so much interest, there may be reason to devote a few words to the particular question of Russian wheat production. It will be found that the variations in yield per acre during the last years have been on an average somewhat smaller than in the decade immediately before the war. This is possibly a mere coincidence; in so far as large-scale wheat-growing is moving southwards there is rather reason to expect an increase of these variations. In any case they must be expected to make themselves severely felt on the wheat markets of the world. The domestic consumption is very large. The amount of wheat which Russia can put on the export market therefore depends on the margin left by that consumption; the peaks of the production curve above that margin are subject to very great fluctuations. Indeed, in years of bad crops Russia may actually be compelled to import grain in spite of extended cultivation. When judging the Russian export possibilities it must be kept in mind that the domestic consumption will rise proportionately to the considerable growth of the population of the country, which is on a scale of three millions a year. No doubt, these large variations in the amount of wheat available for export from Russia will give rise to numerous misinterpretations concerning the future of Russian production on the part of those who, disregarding probabilities, insist on seeking only political explanations.

It is not only that the large agriculturally uniform and climatically favoured grain-growing regions are favourable to the Russian system. There are other enormous resources which may without undue difficulties be subjected to planned exploitation. Such are the coal of the Donetz basin, the iron ores of Krivoi Rog and the Crimea, the manganese ores of Nikopol and the Caucasus, the petroleum of the Caucasus. Here every possibility for the creation of a big industrial region is to be found in close geographical connection with a vast agricultural area. And even as the agricultural area extends into Siberia, the iron ores of the Ural mountains (at Magnitogorsk, etc.) and the coal deposits further east (at Kusnetsk, etc.) invite the extension of the industrial region in the same direction. These possibilities are already being realized on a large scale. Other mineral resources, the Siberian forests, the potential irrigation areas in Turkestan, where the cultivation of cotton is now being pursued on a growing scale, combine to give this part of the world more natural advantages for material progress than perhaps any other.

Geographically speaking this richly endowed region—regardless of political *regimes*—stood in turn to enter into the economic system of the world. Is there not, as a matter of fact, an immense difference between the Russia which is now being built up, and the community originally planned by the revolutionaries? And is it not the most natural explanation of this difference that the revolution has adapted itself to natural resources which are particularly advantageous for planned industrial exploitation on a large scale? It might even, may be with some exaggeration, be said that what is now going on in Russia is only an incident in the continuous adaptation of man to his environment. An incipient adjustment was in fact noticeable in this case already before the revolution, as indicated for example by the extensive emigration to Western Siberia.

Something similar to what is happening in Southern Russia is going on in another region, though under wholly different cultural conditions, *viz.*, in Manchuria. Close to the large monsoon region of South and East Asia, where the population of half the world is crowded within a space comprising perhaps one-tenth of the habitable world, there is a sparsely populated region the climate of which is favourable for many kinds of agriculture; this region falls chiefly within Manchuria, or as it now ought perhaps to be called Manchukuo.

There are two reasons for the present economic and political prominence of Manchuria: population increase and communications. Application of western science in many fields has reduced or eliminated the factors which formerly kept population numbers comparatively constant in the great population centres of Asia. Epidemics, failure of crops, and catastrophic floods no longer occur on the same scale as before. Within the entire region there is an annual surplus of population of some nine millions, of which something like three millions in China. The most important change on the economic map as a consequence of this growth of population is the

fact that the East, as a whole, is on the point of passing the limit of self-support and has begun to import grain on an increasing scale. Under the pressure of this increase of population, however, and given the greater mobility entailed by modern means of communication, extensive migration in the direction of Manchuria must inevitably set in. For several years the net surplus of Chinese emigrants into this region has averaged more than half a million per annum. Remarkably enough Japanese emigration has been comparatively small. It is characteristic of the times that the principal product cultivated in Manchuria, the soya bean, is mainly an industrial raw material while at least at times the country's requirements of cereals are filled by importing American grain.

The exploitation of these favoured regions in Southern Russia—Siberia and Manchuria—may be said to mark the final phase in the economic development of the temperate zone. Further expansion will of course take place both here and elsewhere, but for displacements of such a far-reaching nature as these, there are not left any comparable potential regions. Similar observations might be made in regard to those regions where the climate is of a Mediterranean character. The natural resources of these regions are likewise being turned to account, though their exploitation has by no means reached its final stage. In these cases also the various geographical stages in the history of production are clearly marked.

The continuous expansion of the mineral production of the world has in general been a less disturbing factor in the economic scheme than the development of food production in new countries, specially favoured by nature. The demand for industrial raw materials has increased much more rapidly than the demand for foodstuffs. There is room for both the old and the new producers of industrial raw materials; the population which earns its living by such production also is more mobile and adapts itself more readily to changed conditions than the agricultural population of the old countries. Nevertheless the evolution in this respect likewise shows a geographical regularity which is not of less importance than that exhibited in the expansion of cereal production.

Historically the location of European industries can be traced back to a geologically definable core extending from Cornwall, *via* the Walloon tract and the mountainous region of Western Germany, up to the Erzgebirge. It was here that the problems of mining, smelting and forging were first attacked, and modern technique had its origin. In course of time the technical knowledge fostered in these regions attracted other industries. When at a later stage coal became the most important raw material of industry, coal fields lay within easy reach: the only geographical change involved was a slight displacement to the north. In connection with the increasing use of coal and the general extension of production, other local raw materials in most places lost their importance. In particular, this was the case with the metal ores. The deposits of ore which had originally determined the localization of the industries were exhausted or too small. Ores had therefore to be imported from outside, and the area of supply in regard to iron ore was extended so that in the present phase it comprises Lapland, Spain, North Africa and Newfoundland. In the United States the localization of industries has had a partly different history, but here also developments have reached an analogous phase. The area of supply has been extended, and at present embraces as subsidiary ore producers Newfoundland, Cuba and Chile, as well as the outlying regions of the European area.

In normal times, however, the extension of ore mining has not only the object of supplying the demand of the older industrial areas. Ore as well as other raw materials is produced also in order to supply new industrial centres in countries and regions which formerly had no industrial production.

Still more remarkable than the geographical expansion of the production of raw materials, is the corresponding movement of the manufacturing industries. Formerly these industries, which are less dependent on natural conditions, have in the main been located as determined by history and traditions.

It is well known that looking at the matter from, let us say, a Weberian point of view the British cotton industry is wrongly located. The raw product is imported from countries where labour is cheap, the finished goods are exported partly to the same country from which the raw product was obtained, partly to countries for which likewise this circuitous way of obtaining their goods *via* an expansive country like Great Britain, is justified only from one, though of course deciding, point of view: that Great Britain has possessed initiative and technical knowledge lacking in the receiving countries. By the beginning of the twentieth century and in some

parts even before that, industrially primitive countries had, however, begun to import the required machinery for a cotton industry of their own. These imports of machinery are of particular importance. As far as concerns *machinery the cotton industry* had become standardized long before standardization as a technical programme had been even talked of. *Less technical knowledge was* therefore required to run a spinning mill or a weaving mill, than to found other manufacturing industries. The consequence is a considerable increase of the number of spindles in various countries outside Europe, which have formerly been important markets for in particular British cotton goods. This development has continued: Lancashire may be able to retard it by some process of rationalization, but it cannot be stopped.

During the last ten years standardization has become a programme. This has had, and is going to have far-reaching effects on the localization of industrial regions on the map of the world. What has happened in the case of cotton will happen on an increasing scale with a number of other industries.

It has been said of Gotaverken that they deliver ready-made tankers. The fact is *that now even ready-made factories* can be bought. This is why Russia has been able to create large industries with the aid of a *comparatively small number of foreign tech*nical experts to mount and start the factories. Twenty years ago a five-year plan of the same extent would have been a technical impossibility. Fortunately for the older industrial countries, however, it is not everything that can be standardized and copied. A replica of Sandwiken, directions for use enclosed, cannot be ordered, and presumably Russia will discover that the working of industrial enterprises, even with a modest standard of quality, is not so easy as has been supposed. Nevertheless, standardization in the widest sense of the word undoubtedly will lose Europe and America their industrial hegemony. The localization of industries according to the supply of raw materials and the situation on the markets, or in other words the migration of industries, is facilitated, the importance of tradition and cultural level as a localizing *factor is lessened.*

This movement is being accelerated by another technical factor: motorism. Railways penetrated a country very slowly, and they influenced only a narrow zone. Motorism advances on a broad front: it brings vast areas and their whole population in far more intimate commercial touch with the outer world than railways could ever do, and in itself the motorcar is particularly suitable as a means of propaganda for modern technique and Western civilization among primi*tive peoples.* The motor car brings about more profound changes in the East than in Europe and America.

The geographical expansion of industries is being acclerated also by other technical factors. At a time when everything seems to have reached a standstill, or actually to be retrograding, in the countries where Western civilization had its origin, it is important to remember that this penetration, particularly of the East, is on the whole proceeding regardless of the economic crisis; even if it is not as yet reflected in increased production or increased trade, the way is being prepared for progress. A few years of increase of population in the East and the continued play of European influence will have brought about a considerable change in the commercial importance of the East. This brings me to a subject of considerable interest at the present time: the general geographical displacements which not only proceed regardless of economic crises, but may actually be accelerated by them.

Under the special conditions during the war the production of coal was decentralized. This *was chiefly because the world tonnage did not* suffice for both military and civilian needs. Coal transports were particularly strongly affected, and the result was a marked increase in the production of coal in countries which possessed supplies of their own, but which had not, or only insufficiently, exploited them, whether owing to lack of enterprise or for other reasons. This marks the beginning of a production of coal on a larger scale in several countries outside Europe, which has since continued and is encroaching on the market for British coal. In Europe, Holland and Spain have become more or less self-supporting. Other counrties have reduced their imports of coal by harnessing water power.

During the persent economic crisis similar changes are being prepared in regard to several other raw products, and they are certain to have far-reaching consequences for the future. *It is in the nature of things that production* in remote non-developed countries as a rule requires a large initial outlay, in particular for *the creation of means of transport,* and that on the whole a production will not be started under such conditions unless working costs are small in relation to capital costs. Hence

production tends to be maintained even when the goods produced have fallen to a price which in other countries would not cover the working costs. It might roughly be said that the more unfavourable the location of a mining enterprise is—and this applies in some measure also to other enterprises—the greater are in general the incitement to an increase of production, perhaps particularly so when the price level has been depressed after an economic crisis. In so far as this argument holds, every crisis will accelerate the otherwise slowly proceeding displacement of the centres of prodction of raw materials from the old industrial countries to more peripheral areas. In this respect a geographical analogy might be found to the competition between certain industrial raw materials one of which is more modern and effective than the other and the production of which requires less labour. In particular, I would refer to the competition between coal and oil. During periods of crisis the production of oil goes on increasing without intermission, or the increase is merely somewhat retarded; if, as in the present exceptional crisis, a set-back does actually occur, it is of very moderate amount. The brunt of the crisis is always born by coal, and on each occasion coal will lose far more in relative position than would have been the case if the progress had not been broken by a crisis. This change in the relative importance of coal and oil also involves a displacement of raw material production towards new countries.

The general points of view in regard to geographical displacements of production which have been presented above, may be recapitulated as follows:

The continuous geographical expansion of the modern production system has been the necessary basis of the rapid and steady material progress of the modern age. Geographical expansion and material progress mutually interact.

The geographical displacements of production in the main are signs of an economic adaptation to the changed natural conditions in the new circumstances entailed by this expansion. Economic disturbances may be caused by region possessing abundant natural resources being brought within the actual production zone after having formerly belonged to the potential zone. Developments in Russia must be viewed in this light. The change of *regime* is not the only explanation of the increased industrial activity in that country. Seeing that the geographical displacements of production are determined by natural conditions, it should be possible broadly to forecast these displacements.

In important respects technical science has now reached a stage at which the expansion of economic activity over new areas and the adaptation of production in the resources offered by these areas, proceeds with far greater rapidity than before. For the Russian programme of economic planning the new technique was a necessity.

The changes in the relative importance of the production of certain raw materials, such as coal and oil, and also between the amount of production in different regions, are accelerated by a general economic crisis, the movement of production centres from Western Europe and North America to other continents appearing as the characteristic feature.

In conclusion, it should be said that these observations are not claimed to offer a sufficient basis for an explanation in the individual case; they may, however, cast some light on the background against which the geographical displacements of the economic activity of the world must be viewed.

A forecast of interest to Ceylon and British Malaya, which, with the British South Sea Islands, produce 40 per cent of the world's copra, is made in the Empire Marketing Board's survey of oil seeds and vegetable oils, of which the second volume has just been published. The Board considers that the output of copra will be on the increase for several years and the bulk of this increase will appear on the world market. The needs of the United States are met by production from the Philippines but the other producing countries must be chiefly dependent on European consumption. The demand for cocoanut oil, which is a most important product of the cocoanut palm, depends, says the Board, on the expansion of the soap and margarine industries, which in their turn depend on the growth of populations and a rise in their standards of living. The prospect of the increased utilization of any particular oil fat in these industries cannot be easily defined. Much depends on price considerations and efforts are being made to reduce the costs of competing vegetable oil against the probable rise of animal and marine fats. It is thought that the volume of exports will again show an upward trend as the new areas under cultivation come into full bearing and more favourable conditions rule the world market.

The World Crisis--Need for a Planned Economy.

By C. V. Hanumantha Rao, M.A.

There have been of late several schemes adumbrated by thoughtful people with the object of enabling the economic order to emerge successful out of the huge disorder and disorganization into which it had fallen in recent times and to obviate the recurrence of similar malaises in the future. While the world has been passing through a transitional stage in several respects, the transition in economic matters dominates and overwhelms all others and most of the present-day troubles and discontents are ultimately traceable to the disintegration that has thus set in in the economic order. The disease is a desparate one, and in the words of Mr. Keynes, "we are confronted with the greatest economic catastrophe of modern times", and the remedies require therefore to be equally drastic and desperate involving the undertaking of measures which would successfully achieve the ends in view.

The main problem of the present day is a socio-economic problem. The water-tight differentiation of social and economic functions does not hold good in the present day, wherein the fundamental characteristic is the essential inter-relationship between the various aspects of men's lives. This inter-relationship is only more pronounced and emphatic in regard to social and economic problems, if it it not less amongst others, for economic systems react upon social standards and *vice versa*. If the problem may be stated in a different way, it may be stated that the outstanding feature of the new economic system is the recognition of the dignity of man as man and not of man as merely an instrument in the work of running the economic system and industrial machinery. It has come to be recognized that in so far as man is the important factor of the economic system, all reforms and all change must be directed towards enabling him to live a decent life, to maintain his efficiency unimpaired and thus to enable him to feel a sort of pride in his existence. No longer does the economic ideal tolerate the subordination of man to the machine, the utilizing of the human being for mere drudgery and profit, the exploitation of his energy, intelligence and strength to increase the efficiency of production and of the productive machinery and fill the pockets of the capitalist class.

The acknowledgment of the dignity of human labour has led inevitably to very important repercussions on economic theory. The centre of gravity in economic matters has passed from production to distribution, from the problem of producing efficiency to that of equitableness of distribution. The profits of industry have been hitherto allowed to concentrate in the hands of a small body of people while the vast majority have been forced to live on less than a minimum subsistence. Pruchasing power was most unequally and inequitably distributed and want of purchasing power resulted in attenuated consumption and therefore under-nourishment and inefficiency of the workers in some cases and in productive capacity often out-running and being very greatly in advance of consuming capacity in others.

The greatest sufferers by either of and both the processes were the workers themselves, for while the former made them discontented and dissatisfied with their lot, the latter resulted in the increased manifestation of the phenomenon of unemployment. There were scientific improvements in regard to the organization of industry and in regard to the methods of production consequent upon the recognition of the wastages that was apparent in these two directions, but, paradoxically enough, the efficiency of production to which these improvements have led the way has only intensified the deficiencies in the distributive processes and emphasized economic inequalities. It has resulted in throwing more workers out of work, for improved machine power inevitably results in reduced demand for the human agency in production. Everywhere it has not been the same, and in some countries the evil effects noted above have to a certain extent been counter-balanced by the establishment of fresh industries absorbing the man power that has become redundant consequent upon scientific improvements. But the period of transition from one stage to the other has been, and is bound to be, anywhere a period of dislocation and mal-adjustment and therefore of distress and intensified unemployment.

"Rationalization" which is the name given to this movement in favour of improved scientific management is thus a force both for good and for evil. It implies the establishment of an efficient industrial order based upon reason throughout in the first place and upon the enthronement of the

principle of specialization in the second place *leading to the "realization of the economies of large-scale production"*. Anyway it forms an appropriate basis for the building up of the structure of the economic order, though, before it is made to subserve this end, it has got to justify its adoption by showing that industrial rationalization does not result in increased unemployment. The necessity therefore at the present moment is to devise a method which would reconcile rationalization and all that it stands for with the growth of more avenues of employment and more profitable avenues at that.

The phenomena of unemployment and low *purchasing power, of inequality* of distribution and class conflict consequent upon it, are world-wide in character and extent. If therefore a remedy has to be devised for the evil, it has got to be a remedy which will include the whole world within its purview; it must *be international* in its scope. This ought to be its first characteristic while a second characteristic, equally fundamental is that it should be a remedy deliberately planned and executed. Mere haphazard and isolated endeavours to solve the situation may have effects of a beneficial nature but they will only be necessarily limited in their extent, and transcient in their effect and moreover are calculated only to aggravate the malaise rather than, to lessen it by emphasizing national differences. For securing permanent results and ensuring complete success, the plan must be laid on an international scale and executed by an international body. The dangers of national planning are evident if we take the case of Russia into consideration; there the Five-Year Plan, to all intents and purposes and by all accounts, has been made to yield wonderful results; but the threat which that very success implies to other countries, which consists in its avowed objects of undermining the capitalist economy by a ruthless policy of price cutting and dumping, does not make the contemplation of the picture a comfortable pastime to any one. International planning is intended to obviate this terrible catastrophe incidental to unilateral planning with an aggressive intention, which if allowed to have its full course, is sure to involve the world in a never-ending conflict, the effects of which cannot be visualized with equanimity. Already the feeling is widely prevalent that one of the fundamental causes of the present depression is the impediments placed by tariff walls erected by various countries in the way of *international free trade*; and the encouragement of national economic plans on an isolated and individualistic basis, will be only to give a fresh lease *of life to the existing order of things*. Every individual nation is confronted with this problem of unequal distribution and every nation has been devising its own plan for dealing with it each in its own way. But, as has already been stated, the dangers of planning on a national basis are manifold *and are best avoided by an international outlook* being imported into the consideration of the question.

This international aspect of economic planning has been receiving greater and greater attention in post-war times, which have revolutionized men's thoughts in regard to the *best means of achieving the aims of world* brotherhood. Though it has to be confessed that nationalistic ideals have not been less pronounced now than before an international mind has become slowly generated and has commenced permeating human thought. The need, however, is to exploit the ideal and organize the thought into an effective expression of concrete realities; and then the result will be such as will justify the trouble taken. As Mr. H. G. Wells writes in his new book, *Work, Wealth and Happiness of Mankind*: "One dominating influence of the present-day world can be indicated in a sentence; in an industrial world both trade and money seek to be international in their movements, while at the same time, we have no international machinery, either physical or mental to deal with them. Economic nationalism is at the root of this, the *greatest slump the world* has ever known." The plan postulated should embrace a reformation of this ideal of economic nationalism by substituting in its place the ideal economic internationalism. It should, at the same time, embrace another reformation which is equally necessary, a *reformation of monetary policy* which would enable the peoples of the world to absorb the products of the immense increase in production, which had been made available through specialization due to modern scientific progress. The experiments that have so far been tried in this direction of inter-national *planning of economic policies* have still remained in embryo, if they have not been completely scotched by their own inherent weakness. We refer of course to the ideal of an economic union of Europe pursued by the late M. Briand and to the more recent attempt at Ottawa to knit the whole *of the British Empire into a single*

economic unit. The failure or rather the very inadequate results that have attended these efforts is largely atrributable to one important feature that characterized them, namely, the inherent selfishness of individual nations who wanted to exploit the ideal for purposes of national aggression and profit. The fundamental deficiency of the situation is that notwithstanding the lip service paid to the ideal of internationalism the ideal itself has neither struck deep root nor have nationalistic ideals been completely abandoned. The general outlook only has changed but the *physical effort essential for transforming* the outlook into one of practical reality *yielding substantial practical results* has remained very feeble.

The best agency for fulfilling the ideal that has been set forth in the course of this paper is undoubtedly the League of Nations. If this body, which in spite of its drawbacks is the best guarantee of protection the ideal of internationlism possesses now-a-days, is invested with the requisite capacity by the member states to put the new economic order into shape and bring it into operation, then that will constitute its greatest sheet anchor as well as its most outstanding achievement. The *League has a special function to perform in* this crisis of World History and everyone looks towards it to find a way out of the impasse. But so far, beyond carrying on some preliminary investigations, which nevertheless are very valuable as the bases on which proposals for practical action can be evolved it has had no solid constructive contribution to its credit. The economic section of the League of Nations Secretariat has issued a report on the economic aspects of International Industrial Agreements; the Gold Delegation set up by the League has issued an important report on the reorganization of world monetary policy; and more than all, it has undertaken to convene under its auspices a World Economic Conference, which is bound to register a distinct step in advance in the promotion of international economic co-operation. Notwithstanding that America stipulates that her participation in the conference would be contingent upon the exclusion from its purview of the problems of War Debts and Tariffs and notwithstanding that she wants to restrict the scope of the conference to discussion on the issues of monetary reorganization, still its conclusions even on other matters will undoubtedly mark an epoch in history. But America may be prevailed upon to agree to the inclusion of the questions of tariff policy also in the Conference Agenda, for the question of tariffs in the biggest single problem *confronting the world and awaiting solution*. The ramifications of the tariff problem are very extensive and embrace every other economic problem including unemployment, industrial depression, wage reductions and others, and America must be interested in its early and satisfactory solution as much as any other country. But as regards War Debts, one must sympathise with the U.S.A. in her desire to exclude their consideration from the purview of the World Conference as she would *obviously be the loser by a vast amount if* she cancels all the debts due to her. But if *world interests are paramount and be* placed above national interests, then she has wilingly to undergo the sacrifices entailed by the abolition of war debts. Opinion even in America is not unanimously opposed to a step of that kind and Senator Borah, Chairman of the Foreign Relatians Committee of the U.S.A. Senate, has expressed himself in favour of it; and such opinion as is favourable may be mobilized and organized and put in a position to convert the opposition of others. Even America has not entirely banged the door against the reconsideration of the problem; but *she has linked that reconsideration with the* satisfactory solution by European and other nations of another equally vital international problem, the problem of Disarmament. No one who wants world peace and world progress along a safe economic path can afford either *to ignore the supreme necessity for disarmament* or to contemplate what the consequences on the future of mankind would be, if the Disarmament Conference fails. And America is absolutely justified in insisting upon European disarmament as an indispensable preliminary to her abandonment of the debts due *to her, her position being that when European* countries are piling up their expenditure on armaments, they could not justifiably repudiate war debts. But our consolation is that even in regard to Disarmament an international outlook has been generated and is slowly working its way up; but its speed needs to be very much quickened if early and satisfactory results are to follow.

But that is a different matter, though closely allied to the one under discussion. The purpose of a planned economic life, which according to the MacMillan Committee Report "is a passage to an era of conscious and deliberate management from an era of undirected mutual evolution," must be identical with that of the present automatic system of

economic organization. The aim is the same though there is a difference in the end to be attained and the means of attaining it. And it has to be remembered that that aim is not to exterminate the existing order root and branch but only to transform it so as to avoid the huge amount of waste it involves and the conflict that it generates. Our aim is, in other words, not isolated action for individual agression but co-operative effort for common advantage.

In the scheme of a planned economic life, the primary place must be assigned to the factor which has rendered its existence essential. That is to say, the problem of equitable distribution of the productive resources of the world between the various agents of production is what is urgently required. The mere raising of wages in this or that occupation will not constitute a sufficient basis for satisfaction in this matter: what has got to be sought for is the provision of opportunities for workers to enter into more remunerative operations than the mere ear-marking of a fixed wage. Labour discontent which is international and universal in extent has to be solved by an international agreement to revise wage rates in a manner which would serve two purposes, *viz*., firstly, the fixing of a wage-rate which would enable the workers to live a decent life and keep up their productive efficiency, and, secondly, the introduction of educational facilities which would enable them to train themselves for occupations of all grades in an industry and not merely for the lowest ones as they do now.

International agreement of a planned character must also be regarded as essential in regard to the maintenance of the stability of prices. The stabilization of prices, which is regarded by economists as an important requisite for national prosperity must be made an international issue and treated as such. There is essential inter-connection between price stabilization and monetary policy and a satisfactory and adequate monetary policy adumbrated with the consent of the various nations will prove a very successful source of stabilizing prices throughout the world. That there is general and universal recognition of an international settlement of monetary policy is made evident by the Report of the Gold Delegation appointed by the League of Nations. The majority of the delegates stressed upon the necessity for international action to raise the price levels and for maintaining them in a state of relative stability. They refer to the impossibility of stabilizing the level of prices by monetary policy alone and postulate other conditions also to achieve the result, the most important of them being the "most carefully planned and closest co-operation between the Central Banks of the world." The Delegation reject the possibility of stabilization policies based upon the index-number of commodity prices; but they consider that action taken in "international consultation and co-operation" and based upon "a joint act of judgment" in regard to the various indices which reflect business activity "might have the effect of keeping wholesale prices steady. The Minority also, while differing from the Majority in regard to the details of the reforms required in monetary policy record the opinion that 'a concerted attempt by the gold standard countries' should be made to raise the prices." The report also contains the emphatic opinion that "until there is sane clearing of the atmosphere of international distrust, it will not be possible to restore prices and standards of living to a more satisfactory level." The conclusion is that while there may be differences in details, the method by which price restoration and price stabilization can be secured is generally accepted to be international action. Whether such international effort should partake of the nature of a joint action on the part of Central Banks, or dependent upon the wholesale price indices of important commodities or upon concerted action of the gold standard countries for raising prices or upon the introduction of a non-metallic standard, or a bimetallic standard, are questions which have to be decided by mutual discussion and agreement amongst the nations. While joint action is absolutely necessary in regard to the organization of a satisfactory monetary policy which will not fail of its purpose, it is also necessary to provide that the situation is not exploited by interested parties to impose their own ideas upon the world. The problem of international finance being thus closely dependent upon joint action by the Central Banks, it is regrettable to find that the Central Bank authorities indulge in such mystifying legerdemain about high finance that the man in the street is unable to follow his reasoning and therefore reduced to a state of enforced acquiescence in his lot. Most of the monetary troubles of the present day are attributable to the unrestricted control of financial policy which is resigned into the hands of the Central Banks and their Directorates which have used their opportunities to make slaves of politicians not to say the

common man and to follow lines of action which have little reference to the needs of the situation or the interests and welfare of the common man. Any international plan for reconstructing monetary policy must be based upon the dethronement of the Directorates of Central Banks from their position of unchallenged supremacy in the financial sphere and upon bringing them effectively within the controlling authority of an international financial authority of unimpeachable integrity.

Another subject in respect of which international action of a planned character is necessary is of course the reduction of Tariff barriers, which have been universally recognized as a cause for the world economic and trade depression. The abandonment of tariffs, which are such insuperable impediments to free international commerce has been postulated by the Gold Delegation of the League of Nations as one of the triple factors which are calculated to make for world economic recovery. International action is necessary not only to lessen the tariff walls but also to weld the whole world or at least the important countries into a closely knit economic unit, so that freedom of trade may be established between them and the road to harmonious economic relations may be laid. A planned economy, so as to avoid competition is production between the various countries and to enable each country to produce those articles to which it has the greatest and most favourable facilities has to be taken in hand, and agreements for the purpose will have to be concluded. A World Economic Council should be established the main function of which should be to see that these agreements are scrupulously kept and to suggest adjustments suitable to changing circumstances. The Council should further generally direct its attention towards removing the international barriers to trade and to restore the trade position to what it was before the depression. According to the Report of the Economic Committee of the League of Nations the value of world trade has dangerously declined in recent times, being only less than half what it was in 1929 and collaterally with the decline, unemployment has increased, being now estimated at from 20 millions to 25 millions. The Committee is convinced that the individual actions of states, necessarily limited to defence and inevitably counteracted by other states, superimposed one upon the other, only aggravate the situation. The most deplorable and disastrous consequence is that there is persistent accentuation of the phenomenon of poverty amidst plenty of trading activity declining side by side with improved production.

In this connection account should be taken of those countries which are industrially backward and which have therefore a very strong case to pursue a policy of protection to their national industries. This desire for national industrial advancement is a very legitimate one and has to be satisfied as a preliminary requisite to the success of the planned economic order embracing the entire world. For here, as in everything else, the success of the whole is dependent upon the success of the parts, the satisfaction of the industrial ambitions of the nation is essential to the success of the international plan. While investigating the possibilities and potentialities of an international planned economic order, we must not lose sight of the factor that plans, economic or otherwise, require a favourable "Milieu". International planning is ultimately dependent upon and related to world peace as cause and effect. Without world peace and nationalistic competition in every important matter still persistent, no international planning is possible, while it is equally evident that economic rivalries and conflicts render world peace a difficult thing to attain. From this point of view the successful termination of the Disarmament Conference and the complete denunciation and renunciation of war as an instrument of national policy are as much essential desiderata as the successful termination of international conferences like the Lausanne Conference which was held a few months back and the World Economic Conference to be held a few months hence. But the greatest difficulties are being experienced by the organizers and promoters of the Disarmament Conference, owing to the desire on the part of the various participating nations to keep their national integrity inviolate by demanding guarantees of security and owing to the lingering persistence of animosities engendered owing to war-time rivalries. Notwithstanding that world opinion in favour of disarmament has been unequivocal and emphatic the Conference has not recorded any definite agreement so far; but it will not be long perhaps before statesmen will have to bow before that opinion and carry through the ideal of disarmament to fruition.

One formidable obstacle to the success of a planned economy is the kaleidoscopic differences in the standards of living of the people of the various countries. To try to

harness people with a higher standard of living with those with a lower standard will be to perform a serious piece of injury to the former, though, at the same time, it has to be borne in mind that the equalization of the standards of living is an essential preliminary to the evolution of a successful plan of international economy. The remedies for this state of affairs are two-fold, first the rapid industrialization of those countries which are now industrially backward so as to bring them up to the level of those industrially advanced, and second, the adumbration of a world plan of emigration so that countries with a lower standard of living due to over-abundant population may be denuded of their surplus humanity and thus be afforded an opportunity of ameliorating their standard of living, free from the incubus of too much humanity. The adoption of birth-control methods by countries with a lower order of civilization and high birth-rate coupled with the advancement of industrialization, is also a method of reducing the dangers due to redundant population. Here again, international co-operation of the closest character is essentially called forth, for unless every country is interested in throwing open its gates to receive the excess population in other countries, the scheme may not have a chance of success.

The need tor international action and international agreement for the solution of the world's evils, political and economic, being so widely acknowledged, it is necessary that strenuous endeavours should be made by all countries to achieve the ideal aimed at. Men of good-will in every country, men who realize the evils of isolated nationalist endeavours to solve the various difficulties, men who entertain a catholic and international outlook, should come together and organize world *opinion in favour of the internationalist* ideal. We want a new outlook to develop, an outlook which has attained visible representation in the League of Nations and its affiliated organizations, *but which has not yet developed* to the extent necessary as to affect that physical metamorphosis, the absence of which is the greatest hindrance to the realization of the *hopes and expectations of world peace* and prosperity longed for by post-war humanity. The formidable series of international conferences held after the termination of the war to solve this world question or that is an inescapable index of this slow physical metamorphosis in the direction of internationalism while the large number of declarations made by responsible statesmen is a sure indication of the immense mental and intellectual change that has been occurring. The latest instances of a strong recognition of the necessity of international co-operation are those provided by the Lausanne Conference, where the Reparations question has been to a certain extent satisfactorily settled by the funding and capitalising of the German reparation payments, the Disarmament Conference, which though having no outstanding achievement to its credit has nevertheless focused world attention on the problem of world disarmament in a much more irrefutable manner than ever was done previously, and finally the Conference on Central European Reconstruction which held its session in September last. At each of these conferences, the distress and malaise of the world has been attributed predominently to economic causes incidental to the existence of war debts and reparations, to tariffs and currency muddles, to maldistribution of gold resources and deflation and inflation policies of the Central Banks ; and in all of them the prevailing theme is the essentialness of international action for emancipating the world from the troubles mentioned. If international action in the sense that it embraces all the nations of the world is impossible of attainment in the near future, there is at least a sound possibility of regional action, in which a group of countries should join together to settle their problems internationally, and thus pave the way for the larger world co-operation. Thus the countries of Central Europe, which have racial economic and political affinities with one another which can weld them into an economic whole can evolve themselves into one. The countries included in the British Empire can, as they actually are trying to do, constitute themselves into a close economic and industrial group. Similarly, the states of South America which have interests and relations in common, may join together into a closer international entity for purposes of economic reconstruc*tion. The danger of such regional* units is obvious : they may solidify into local economic groupings and render impossible that larger international collaboration which is the *cherished desire and goal of ambition of* all thinking men. But it will soon be found by nations who have joined such regional groups that the logical corollary of the development *is and ought to be the organization of an* international economic and political machinery which would embrace the whole face of the world and secure advantages which can be got only by such a world-wide organization.

Moreover, propaganda and mobilization of opinion in favour of the larger ideal must be unceasing, while the local regional state groups are being constituted. The League of Nations has come to stay; it will be a bigger and bigger force in defence of the international ideal and it will render its realization all the easier. It contains within itself the seeds from which such an international organization embracing the entire world can spring up and the propaganda referred to may develop along the lines of making the League the central machinery for the planned economic and political reconstruction, postulated and envisaged in the course of this essay. The economic aspect is, however, more important and insistent than the political, in so for as the centre of emphasis, as has been stated in the beginning, has changed from the 18th century ideal of political freedom to the modern 20th century ideal of the economic factor dominating everything else and thereby necessitating the application of new remedies. We want a new outlook, an outlook based upon intellectualism and scientific accuracy, in the same imperative manner as we want a new ideal of internationalism and world economy in place of the old nationalism and national economy based upon the doctrine of *Laissez Faire*. In conclusion, as Sir Josiah Stamp said in his speech before the Colston Research Society at Bristol recently, "a spirit of fatalism has come to pervade men's minds following upon the depression which had the effect of stultifying intellectual toil and search after appropriate and adequate remedies of a permanent and abiding character." Mr. Josiah Stamp stressed the fact that the whole fabric of materialistic society which is now under such particular stress, was dependent upon certain immaterial and moral characteristies—grit, mental poise and intrinsic belief in the superiority of intellectual solutions over mere drifting, a persistent appeal to realism and the application of scientific methods to a continually widening area of human experience. To face the facts of the situation and to apply to them the necessary and requisite solutions, boldly thought out and carefully and rigidly executed, is the supreme need of the hour. It is to be hoped that these qualities which are required in abundance, in view of the enormity of the issues involved and immensity of their extent, will be forthcoming in an abundant measure in the near future.

The London Money Market.*

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The London Money Market occupies a pre-eminent position in the various money markets of the world. It is rightly called as the *International Money Market*, because a large part of the foreign trade of the world is financed through it. A lot of changes have taken place in the London Money Market during and since the war in common with the changes in the other money markets of the world.

"The London Money Market" by Mr. W. F. Spalding gives an interesting account of the origin, the growth and the present position of the Market. The third edition of the book was published in 1923 and there was much readjustment of conditions in the London Money Market thereafter to justify the writing of the fourth edition in 1930. In 1925 England returned to the gold standard and in 1928 the amalgamation of the Government's currency note issue with that of the Bank of England was accomplished. These events were of great importance and had important repercussions on the machinery of the London Money Market. These changes have been given a fairly great deal of prominence in this edition and their inclusion has also necessitated a great deal of revision of what appeared in the earlier editions.

In the first two chapters, the learned author has given a historical retrospect of the development of fairs and markets and the creation of credits by the goldsmiths in the Middle Ages. In the third chapter, a discussion of the origin and development of the Bank of England—the cornerstone of the London Money Market—is given with characteristic clarity of thought and expression. The various Acts beginning with the Bank Charter of 1694 up to the passage of the Act of 1844 have been briefly referred to. Then follows a lucid explanation of the Weekly Return of the Bank wherein each individual item on the debit and the credit side of the Issue and the Banking Departments has been explained. A

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*By William F. Spalding. Published by Sir Isaac Pitman & Sons, 1, Amen Corner, London, E.C. Price 10*s*. 6*d*.

table on page 48 gives the increase in the fiduciary issue in a chronological order up to February 13, 1923. A description of changes wrought by the Currency and Bank Notes Act of 1928 follows which meant the transfer of the Treasury's Issue to the Bank of England. The alterations made in the Bank of England Weekly Return are also given. The term "Other Deposits" separately shows "Bankers' Deposits" and "Other Deposits" and "Other Accounts" and on the Asset side of the Account "Discounts and Advances" and "Securities" are separately shown. This arrangement is righlty commanded by the author who writes "The significance of the new item 'Bankers' Deposits' is that it will henceforth form a valuable key to the amount of actual cash available in the London Money Market....Formerly, no one could state with any degree of accuracy how much currency was held by the banks in their own treasuries. But, henceforth, a fairly close estimate may be made by comparing the figures given in the Bank of England Return with those published by the banks." Commenting on the difference between "Discounts and Advances" and "Other Securities," he quotes the interpretation of the *Economist* and the Midland Bank withont giving his own opinion. He then explains the increase in the fiduciary issue to £ 260,000,000 as it stood in the Account of November 28, 1928.

The learned author then describes the constitution of the London Money Market and the funds of the various classes of bankers employed therein. According to one of the Returns given in the book, the deposits and cash of the various classes of banks stands as follows :—

	£
Bank of England Deposits	121,016,663
The Deposits and Cash of the Big Five	2,032,752,000
Total Deposits of all British Banks ..	2,240,513,214
Discount Houses	94,957,000

Besides these sources of supply of funds, there are the African, the Australian, the Canadian and the Indian Banks, all having London Offices and supplying funds to the Market. It would have formed a very interesting study if the funds supplied by the latter constituents were also given, for then the readers would have been able to have an idea of the dependence of the London Money Market for the supply of funds upon foreign institutions. How loans create credits is then lucidly explained. The actual amount of credit created by the Bank of England between 1914 and 1929 is estimated at £ 27,900,583 and £ 720 millions is the amount of credit estimated to be created during the same period by 19 of the principal English joint stock banks.

The influence of the Bank of England's Discount Rate is then very carefully and clearly explained. The Bank Rate and the Market Rate are first defined and it is pointed out "that the immensity of the funds at the dispoal of the great joint stock banks enables them to do business at lower rates than the premier institution." Hence the market rate is lower than the Bank Rate. But the former is dependent upon the rate of interest on short-term deposits which in turn is governed more or less by the Bank of England Rate. Thus it will be seen that the joint stock banks cannot break very far away *from the Bank of England though in abnormal* times there may be a considerable divergence in the rates. In September, 1922, there was a difference of 2 per cent between the Deposit Rate and the Bank Rate.

The Bank of England exercises a powerful influence in the London Money Market, because, firstly, the stock of money of the Bank itself forms an important part of the general supply. Secondly, the depositors of the joint stock banks regard the Bank of England Rate as the basis for the interest they expect to get from the outside banks. But, of course, the joint stock banks can afford to charge a lower discount rate than the Bank Rate, because the interest they pay on deposits is spread over the whole of their balances. The author writes that "with the rise of the joint stock banks and the enormous progress they have made in the London Money Market, the influence of the Bank of England is not so great, and in normal times the market is able to absorb most of the bills offering." There are always more bills than can be purchased by the banks in the open market and hence the Bank of England has the last word in the matter of ultimate rates. In all times of crisis, the control exercised by the Bank of England over the open market is plain. It is so whenever there is a scarcity of ready money. Bankers keep about 15 per cent to 20 per cent of their liabilities, liquid and up to this ratio they will freely discount bills. But if there is a pressure for money, the banks will call in their short-term advances and will either not discount bills at all or else will refuse to discount for "cash". The borrowers will then have to apply for assistance to the Bank of England which will discount "approved bills of exchange", and the market is then said to be "in the bank". The Bank always insists upon the loans being taken for a full

week at half per cent over bank rate. *Hence* it has effective control over the market.

The utility of the Bank Rate in checking the outflow of gold is clearly explained. A *rise* in it lessens the demand for loans, checks expenditure in the country and lowers prices which decreases imports and encourages exports. The aim is contraction of currency. This helps to restore the adverse trade balance *which is the primary cause of the foreign demand* for gold. A rise in the rate attracts gold from foreign countries and a fall implies *easy money market. The changes in the* modes of exercising control over the market in the post-war period have been explained. In *this connection the influence of Treasury Bills* has been clearly pointed out.

An explanation of the Short Loan Fund *of the London Money Market is given* subsequently. An idea of the Short Loan Fund can be obtained by the figures given by the author. The figures for the joint stock banks of England and Scotland amounted to £174,976,000 and £145,100,000 for the nine London Clearing Banks according to the *Economist* of May 10, 1930. The author then proceeds to criticise the view that during and since the war the floating credit in the London Money Market based upon the amount of gold held is more slender than even the most adventurous of the old-time bankers deemed safe. The author says that such a comparison is hypothetical. Nonetheless he compares the short-term loans and the gold basis in 1902 and 1922 and comes to the conclusion that the short loan fund in the latter year was on a much sounder footing than in the former year. The figures given are :—

	£
Short Loan Fund of the Market in 1902	70,000,000
Gold held in the Bank of England in February, 1902	34,125,000
Short Loan Fund of the Market in 1922	118,840,000
Gold held at the Bank of England ..	128,762,000

The apparent inelasticity *of the Fund* is then discussed and how it increases and decreases is clearly explained. Peculiarities in its variations are then given. The open and discount market operations are explain*ed in Chapter VIII* at length. The various classes of securities, *i.e.*, Bank Paper, Fine Trade Paper, Clean Bills and Documentary *Bills on the basis of which loans are advanced* are explained. The methods of bill brokers and the place of the "middleman" in "Discounting" are clearly brought out. A chart illustrating the course of money and discount during the year 1929 is given.

The origin of the Treasury Bills is then explained and the methods of their sale are also given. The Clearing House System with its origin and development is discussed. Chapter XI follows with the origin and development of the Money Article that appears *in the City Dailies and Weeklies which at* present serves as a guide to the investors and borrowers. The type of information *given in such articles formerly and at the pre*sent time has been well brought out.

Chapter XII deals with the gold and silver *markets. The methods of quotations of* gold and silver are given. Calculations of their prices, specially of gold, are explained lucidly. *The provisions of various Acts in this connec*tion are given. Other techicalities are also explained in this connection. London deal*ings in silver and the reasons* why London occupies the enviable position of the world's silver market are explained. The lion's share of London of the Far Eastern Trade and the fact that silver is not directly transported to the East from America and Mexico to a large extent, are mentioned as the chief reasons for London's pre-eminence as a silver market.

The book ends with a Chapter on the Great War and its influence upon the London Money Market. In July 1914 conditions in European Markets became panicky and when on July 18, 1914 "The news leaked out that the London Branch of the Dresden Bank was selling its securities and advising its clients to act similarly," this was regarded as a semi-official intimation of a probably European conflict. The stock exchanges of Germany, France and Austria became unsettled and prices of securities fell very rapidly. Bourses *in Vienna, Amsterdam and Brussels* were all obliged to be closed. The Imperial Bank of Germany parted with 200,000,000 marks of *gold and the Bank of France raised its rate* on July 31, 1914 to $4\frac{1}{2}$ per cent from $3\frac{1}{2}$ per cent and its rate of interest on advance went *up to* $5\frac{1}{2}$ *per cent from* $4\frac{1}{2}$ *per cent.* The New York Exchange was forced to close on July 30. In London also the tale was the *same. Prices of securities fell very rapidly* and loans could not be renewed. Discount rates went up and buyers were not anxious *to purchase bills at any price. Funds were* demanded on all sides and bill brokers and others sought accommodation with the Bank of England. On July 31 the London stock exchange was also closed. There was a run on all banks and gold was heavily in demand. As a result the Bank of England raised its rate from 6 per cent for short bills to 10 per cent

and even more. There was a net efflux of gold from England to the extent of £ 1,690,000 during the week ending on August 1, 1914. *Prompt measures were taken to meet the* situation and announcement was made of suspending the Bank Act of 1844 in case of necessity and it was virtually suspended, because for some time the Bank of England did exceed the fiduciary issue limit. Between July 22 and August 7, 1914 "Other Deposits" *showed an increase of £ 14,561,313 and* "Other Securities" item showed an increase of £ 31,718,894 which meant that brokers resorted to the Bank of England for help. The total amount of the gold coin and gold bullion in the bank fell from £ 40,164,341 to £ 27,622,169. The ratio of reserve to liabi*lities fell from 52.375 per cent to 14.6 per* cent during the same period.

The Currency and Bank Notes Act of August 6, 1914, was the result. The Treasury was allowed to issue currency notes of £ 1 and 10s. which together with postal orders were declared unlimited legal tender. Under the *Act, the Bank of England and any Scottish* or Irish Banks of issue could issue notes in excess of the legal limit. The Bank of England was allowed to issue currency up to a maximum limit not exceeding, in the case of any bank, 20 per cent of its liabilities on deposit and current accounts. Every bank had *to pay interest on this advance. On August* 28, 1914, an Act was passed which authorized the Treasury to issue certificates in place of actual notes. The effect was that banks could obtain credits with the Bank of England on the same terms as currency for notes. The banks took advantage of this concession *to the extent of £ 13,000,000 in the early stages* of the War.

Foreign balances were recalled, but acceptance houses were in a precarious position as they could not get remittances from abroad to pay for these bills and the London bankers had called in loans and were not prepared to *advance any more funds. Hence on August* 2, 1914, the Government came to their rescue by proclaiming the Bill Moratorium according to which they could suspend payments of their acceptances on payment of interest for the period of Moratorium. The next step taken was the rehabilitation of the London *Money Market according to which the govern*ment agreed to guarantee the Bank of England from any losses it incurred in discounting commercial paper. Thus confidence was gradually restored in the London Money Market.

The book does not devote any chapter to the organization of the London Stock Exchange whose services to the London Money Market and to the trade and commerce of Great Britain are in some respects, perhaps, unique. A chapter thereon should repay time and labour.

Catastrophic changes have taken place in the history of English currency with adverse consequences, perhaps, on the London Money Market, since the fourth edition of the book was written. England went off the Gold Standard on September 21, 1931, which meant the suspension of that *part* of the *Gold Standard* Act of 1925 according to which the Bank was to sell gold bullion at the fixed price of £ 3 17s. 10½*d.* per ounce and to buy gold at £ 3 17s. 9*d.* The Bank is relieved of the statutory *obligation to sell gold and the* Bank of England Notes are no longer convertible into gold on demand. This step was necessitated to prevent the heavy outflow of gold which had amounted to more than £ 2,000,000 in a period of two weeks in July, 1931. Pound sterling depreciated heavily and, the New *York cross rate on December 1, 1931, fell to* 3.27½ because of heavy selling by France and Holland. Many other countries have gone off the gold standard which has upset to a great extent the money markets of the world. Mr. A. H. Abbati, the author of the bulletins of the Unclaimed Wealth Utilization Com*mittee (Geneva) makes a special study of the* causes of the outflow of gold which drove England off the gold standard. The overlending by English banks to Germany, frozen credits, hoarding of money by France and America and the reduction in the income of England from foreign investments have been *mentioned as the causes of the heavy outflow* of gold from England which compelled her to suspend gold standard. He estimates the gain of England of the suspension of gold standard at 50 million dollars a month in the English balance of foreign payments, but probably, as Sir J. C. Coyajee in his review of the "Economic Lessons of 1929-1931" by Mr. Abbati says that in estimating this gain of England the author errs on the side of optimism. The author also prophesies a steady rise in the value of sterling *which has not been maintained though indeed* it came about.

The London Money Market does not perhaps occupy as important a position in the post war period as it did in the pre-war days, because the basis of credit, *i.e.*, gold lies concentrated in the vaults of the French and the American Banks. Mr. W. F. Spalding in

his preface to the third edition of the book summarily dispenses with this question when he writes, "Admitted that we lost ground during the war by parting with securities to America; but we are fast regaining it now. The author is, in fact, bold enough to take the stand that London is still the international money centre of the world. New York is not ousting her from that position." In contrast with this view the Gold Delegation of the League of Nations in their final report write. "In Central Banking the greatest influence is exercised by the banks of those countries which are large exporters of capital, for they are able to influence both the flow of funds to or from, and the rates of interest in, other money markets. In recent years, this power has rested mainly with the United States of America, the United Kingdom and France." (Page 15, paragraph 34 of their report.) They further say, "The share of British investors in the total international movement of capital in post-war years has been greatly reduced foreign investments by the United States have become an important factor in international financing, but so far they have proved irregular in volume." (Pages 18, 19, paragraph 50 of the report referred to above.) Bill acceptance business is now largely developed in America. The post-war position of the London Money Market, therefore, does not seem to be like that of pre-war days. In view of these facts the claim of the learned author of "The London Money Market" regarding the unquestioned supremacy of the Market in the post-war period requires investigation.

In view of the adoption of Proportional Representation in certain of the coming Elections in Mysore, we have had many letters asking for a brief explanation of the same. In setting down below a short note on it, we would suggest those interested in the matter to write for further information to Mr. John H. Humphreys, General Secretary, Proportional Representation Society, 82 Victoria Street, London. S.W.1.

Proportional Representation is really a device to obtain representation for minorities. In highly democratic countries, there is need for some such arrangement under which the minority view may not go unrepresented. It is usual to adopt it in *large constituencies* each of which returns several candidates. Under it, every man has *one vote* only and he has to set down his preferences to candidates just as he likes (in serial order 1, 2, 3, etc.). He who gets what is called a "quota" is *declared elected*. There are various ways of arriving at this "quota". The following is one of the latest methods suggested :—

$$\frac{\text{No. of Votes polled actually at the Election}}{\text{No. of Seats to be filled}+1}+1$$

For instance, if in a Constituency, 7,000 votes are polled and there are 7 seats to be filled, then the quota, according to the above formula, would be :—

$$\frac{7000}{7+1}+1=\frac{7000}{8}+1$$
$$=875+1$$
$$=876$$

If a candidate gets 876 votes or more, he is to be declared elected. If an elected candidate gets more than the requisite "quota" then the excess number of votes he has secured has to be transferred to the other competing candidates according to the preferences *indicated by the voter. From the very* nature of this system, under which a voter is required to indicate his preferences on the voting paper, it helps to reduce the evils of the ordinary system of voting under which majority rule becomes all but unbearable. Extreme democracy seems to require some such check as this. If the competition is keen, only those enjoying universal confidence —men of outstanding talents and enjoying a reputation which is something more than *merely local—are likely to succeed under the system of proportional representation.*

Proportional Representation is in vogue in England, France and Belgium. In the Irish Free State, the Chamber of Deputies (*Dail Eireann*) is elected on the principles of Proportional Representation. As practised in Ireland, this system enables the election, by secret ballot and by a direct vote, of all citizens above the age of 21 years, who comply with the electoral laws. There is, under it, at least one member for each 30,000 of the population and not more than one member for each 20,000 of the population. Similarly in Northern Ireland, part of the Senate (24 members, other than ex-office senators) is elected by the members of the Northern Irish House of *Commons on the proportional representation* system.

Economics in the West.

The Possibilities of Reflation of Gold and Sterling.

[This month, we are giving parts of the speech delivered by the Right Hon. R. McKenna at the Ordinary General Meeting of the Midland Bank, Ltd., London, held on January 27. He dealt on the possibilities of reflation in a manner at once striking and perpicacious.—Ed.]

London, February 28, 1933.—Conditions to-day are distinctly better than a year ago notwithstanding the persistence of a deplorably high level of unemployment. Our national finances are sounder; a marked reduction has been made in the balance of imports over exports; the volume of business has been fairly maintained; new industries have been established; and, though exchange and other restrictions are stifling trade with foreign countries, there are signs of steady development of inter-Imperial Trade.

This unmistakable improvement at home has certainly not been helped by events abroad. The hopes arising from the Lausanne Conference have vanished in the face of disappointment regarding the war debts to America. Political uncertainty in many countries has clouded the prospect of recovery, and the gloom of trade depression has shown no sign of lifting. The impoverished debtor countries, one after another, have all but closed their doors against imports. In these circumstances it is the more remarkable that this country, deeply involved as it is in international trade and investments, should have shown any improvement at all.

STERLING AND GOLD.

Foreign commentators on the general trade depression usually ascribe it mainly to currency disorder, of which we had such painful experience after the war. But it is only superficially that we are back in the early post-war years, for there is this vital difference, that whereas currencies had then run away from gold, now gold has run away from currencies. From long habit many of us continue to think and talk of gold currencies as stable and currencies off gold as unstable. But if we give any true meaning to currency stability we shall find that sterling, which is by far the most important of the currencies detached from gold, has shown since it acquired independence much greater stability than the dollar. On balance the pound, measured by its purchasing power over commodities other than gold, has remained fairly constant. Gold, on the other hand, has almost continuously increased its purchasing power, and buys roughly fifteen per cent more goods and services now than in September 1931. The true standard of stability is what currency will buy, not of gold but of all commodities which enter into daily use in production and consumption. I agree that the general trade depression is largely due to currency disorder, but the disturbing factor has been found not least in the gold currencies.

We have had experience now of sterling divorced from gold for over sixteen months, and nothing catastrophic has happened. A number of other countries are using sterling as their standard, and it is still the medium of a large amount of trade throughout the world. How have the groups of countries using gold or sterling respectively fared during this period? The clear evidence of improvement in a number of countries off the gold standard has no counterpart in those still on gold, whose position, generally speaking, has become worse. In the first half of the year just expired, according to an analaysis by the Board of Trade, "the countries no longer on the gold standard increased their share of the import and export trade of the world....this increase applying to exports to a greater extent than imports." There can be little doubt that this disparity of experience has become more pronounced since that time, not only in international trade, but in respect of internal conditions as well. To take a particular example, the level of business activity in the United States is officially declared as considerably lower in 1932 than a year earlier, whereas in Great Britain the level has been practically maintained.

Again, in national finances we find a similar distinction. The countries still using gold are all faced with budget deficits. In the United States the Federal finances show a deficit officially estimated at more than $1,100 millions for the current fiscal year. The French Legislature is struggling with proposals to cover a shortage of perhaps ten milliards of francs. Similarly in the Netherlands, Switzerland, Italy and Belgium the national accounts show larger or smaller deficits. The probability is that if recent tendencies continue the governments of all these countries will find that their task

is one of extraordinary difficulty. With a steadily appreciating currency the real burden of budget charges, particulary in respect of debts, is constantly increasing, while the revenue-yielding capacity of the people is just as constantly decreasing. It becomes more and more doubtful, unless there is a speedy reversal of the movement of prices, whether stringent economies, elastic definitions of charges properly to be financed out of loans, and the utmost ingenuity in respect of new taxation will succeed in balancing the budgets of the countries still adhering to gold.

I am not suggesting that countries off the gold standard are finding it easy to balance their budgets, or that they have all yet succeeded in doing so; but at least it is true that they have made far more progress in that direction than the other group. The national finances are certainly better in countires where the persistent fall in internal prices has been arrested than in those where, through adherence to gold, it is still continuing. The condition of the earlier post-war years has been precisely reversed. Separation from gold is no longer a sign of budgetary disorder; adherence to it is no longer a distinguishing mark of sound national finance.

Necessity of a Rise in Prices.

These facts, however briefly summarised, demonstrate afresh the ravaging effects of falling prices and the benefits to be obtained by relief from the downward movement. A rise in commodity prices has indeed become much more essential for the gold standard countries, whose plight is growing worse, than for other countries, whose position is improving. Yet we cannot rely upon the so-called "natural" action of gold for such a movement. The pre-war gold standard, so far as its control over the level of prices is concerned is no longer operative; the misnamed "immutable law" of supply and demand, which was thought to apply to gold as to any other commodity, is of no effect. The enlarged output of the mines and the unloading of hoarded gold from India and Great Britain on the one hand, and on the other, the reduced demand for gold involved in widespread departure from its use, have in no way checked its unceasing appreciation.

It is sometimes alleged however, that our departure from gold was itself responsible for the continued downward movement of gold prices, and that a fall in the gold ... value of sterling provokes a further tion, I believe, either in logic or in the record of the facts, for this assertion, which seems to arise from confusion of cause and effect. The price level in each country is governed by the quantity of money available for immediate spending and the goods and services available to be bought. It follows that the exchange rate between any two of the dominant currencies tends to move in accord with the fluctuations in their respective purchasing powers, though the movement may be temporarily deflected from its course by disturbing transfers of capital and short-term funds. Price levels affect exchange rates, but exchange rates have little effect on price levels as distinguished from the prices of individual commodities.

The price level in Great Britain is of the first importance to the world at large, not because of its effect upon exchange rates, but because of our predominance as a consumer of primary commodities produced abroad. If sterling prices move upward, the ultimate result is to stimulate demand throughout the wide area on a sterling basis for the products of countries not within the group. The increased demand for such commodities as cotton, wheat, copper and coffee tends to harden their quotations in the countries producing them, whether these countries are on a gold basis or not. Thus a rise in the sterling price level tends to a strengthening of prices even in the gold standard area.

But is it possible for us to raise our internal price level, in particular can we do so by monetary management; and if we can and do, will it not be evidence of that abhorrent thing inflation? In the actual circumstances we have so much ground to recover that I confess the thought of inflation, so long as it is controlled, does not alarm me. In these days the word is no longer a term of reproach, though some tender consciences find ease in using the innocent substitute "reflation". Almost everyone now recognizes that a rise in primary commodity prices is essential to world recovery, and most would agree with Mr. Hawtrey when he argues, in his recent book, that the evil consequences even of uncontrolled inflation "are definitely surpassed by the evils of deflation". Controlled inflation, from being the remedy of fools or knaves has become widely regarded as the best available solution of our troubles, particularly since it has become realized that a substantial rise in wholesale prices need have no more ... the cost of living

Alleged Failure of Reflation.

It is, I believe, possible to achieve a rise in the internal price level by monetary management, and I am unshaken in this opinion by the frequent charge that reflation has already been tried and found wanting both in Great Britain and the United States. If we examine the course of affairs in these two countries we shall find that deliberate monetary management specifically designed to raise the price *level has not been tested in either.* In our own country, it is true, an expansion of credit has been effected, but only under conditions which could give it but partial success in raising the price level; and partially successful it has been, for *our price level has not accompanied* the downward movement of gold prices. In the United States, notwithstanding the current talk of vast new credit having been pumped ineffectively into the banking system, the experiment has not been tried at all. Reflation means the expansion of bank deposits, and therefore of potential purchasing power, to such an extent as will restore the price level to the point at which it stood before the present great slump began. Let me recall briefly the salient features of the recent monetary experience of the two countries before we give *judgment on the question whether reflation* has had any real trial.

I will take our own case first. In February of last year the deposits of the London Clearing Banks were nine per cent below the figure of a year earlier. From the preceding September, when we went off the gold standard, a deflationary policy with a six per cent bank rate had been resolutely pursued, and commodity prices, which had been steady after an initial rise, began to fall. In February a complete change of policy occurred. Bank rate was successively and rapidly reduced and in May and June the Bank of England by heavy purchases of gold and securities created a large addition to bank cash, which set in motion a marked expansion of bank deposits. The additional purchasing power arising from an increase in bank deposits cannot, however, get into use in trade for a considerable time. Why this is so, an example will readily show.

The Bank of England takes the initial step by buying, say, £ 1,000,000 of Government securities. The seller of the securities pays the Bank of England's cheque for £ 1,000,000 into his own bank, which we may call the clearing bank, and this bank in due course pays it to the credit of its account with the Bank of England. Thus, the first result of the transaction is that the seller of the securities has a deposit of £ 1,000,000 with his own bank, which in turn has a deposit of £ 1,000,000 with the Bank of England. The clearing bank *pays interest on its deposits* but receives none from the Bank of England; if then it is not to make a loss over the transaction it must use the new £ 1,000,000 without delay. The only immediate uses to which the money can be put are to lend it in the bill market, or to buy bills or to invest it, generally in Government securities. In any event two results follow: the additional demands force down the bill rate and force up the price of Government securities. As the process continues the sellers of the securities have funds to invest and look about for something which will give them a higher yield than is obtainable on Government stocks. Gradually as the sums involved become larger the demand extends through every class of fixed interest stock and overlaps into the market for industrial securities. The opportunity has now come for new issues the proceeds of which will be spent in the purchase of materials and the payment of wages, and *the newly created money will at* length have found its way into trade. But the whole process in any circumstances takes time: when the circumstances are unpropitious the time may be very considerable.

In the case of our own monetary expansion we have to remember that the sudden abundance of money was a preliminary to the War Loan conversion scheme, which in the view of the responsible authorities necessitated complete closure of the market for new capital. Ordinarily new issues provide a ready channel for the flow of new money into consumers' hands and, had the *abundance of money been* created for the purpose of testing its effect upon commodity prices and trade generally, the last thing we should have done would have been to close the market for capital *issues. This is not said in criticism* of the policy, for once the conversion was launched it was of vital importance to make it a success. It may be observed incidentally, however, that now the operation has been completed there seems no sufficient reason for continuing the ban even in its present comparatively slight form. The expansive monetary policy in Great Britain has *been in fact no more* than half a policy so far as its effect upon trade is concerned and it was only to be expected that it should up till now have yielded no marked and sustained rise in commodity prices.

When we turn to the United States I believe we shall find that not even a partial trial has been given to the policy of reflation. I speak on the subject, it is needless to say, with complete readiness to accept correction by American authorities on questions relating to their own monetary policy, but it has seemed to me that the current description of a continuous pumping of new credit into the banking system of the United States through the open market operations of the Federal Reserve Banks does not convey, at any rate in its implications, a true impression of the facts. If we take a full view of recent American monetary policy we shall see that there has been no demonstration one way or the other of the effectiveness of a steady policy of reflation.

I will relate the facts as concisely as I can. Immediately following the suspension of gold payments in Great Britain a heavy outflow of gold took place from the United States, accompanied by large withdrawals of currency in consequence of wide-spread banking failures. Both of these movements tended to reduce the cash basis for the deposits of the commercial banks, and reinforcement was possible only by borrowing heavily from the Federal Reserve Banks. Little or no attempt was made at this time by the Reserve Banks through open market purchases of securities to offset the acute stringency. The result was that bank deposits, which hitherto had declined only slowly, fell abruptly in the last few months of 1931. The deposits of all banks in the United States were no less than eleven-and-a-half per cent lower on December 31 of that year than on the preceding June 30, but even then the decline had not spent itself.

It was in circumstances such as these that in March of last year the first steps were taken in what is cited as the great experiment in reflation. The Reserve Banks, aided by legislation to widen their powers, began to buy Government securities, first in small quantities and later in large volume. The express objects of this procedure were to ease a critical banking situation by enabling the banks to reduce their indebtedness to the central institutions, and to add to the cash resources of the member banks. A reduction of member bank borrowings was achieved: but the addition to cash reserves was small, owing to a renewed and heavy outflow of gold, and even the reduction of indebtedness was later checked by a fresh absorption of currency by the public. During the period of open market buying bank deposits continued to decline, though only slightly. The steps taken to arrest the deterioration of the banking position had succeeded, but up to July no recovery had taken place in bank deposits, partly because the addition to bank cash had been relatively small, and partly because this addition had been used merely to strengthen the ratio between cash and deposits. At this date, that is July, of last year, bank deposits were 19 per cent lower than a year earlier and actually 26 per cent below the figure for the end of 1928. By contrast, British bank deposits at that date had responded to the increase of cash furnished by the operations of the Bank of England to such a degree that they were only two per cent below the total at the end of 1928.

Since the beginning of August the Reserve Banks have again pursued a passive policy so far as open market operations are concerned. Their holdings of investments have remained stable, but the gold stock has increased, while currency has returned from the public. As a result the member banks have been able further to reduce their indebtedness to the Reserve Banks to a low level, while at the same time their reserve balances have grown substantially, quite independently of central banking policy. Bank deposits have expanded on this fortuitously increased basis, but by no means to the full extent possible—actually, up to December, by only about seven per cent. Whereas member banks' reserves have been brought back to a higher level than in September 1931, their deposits are still far below. Meanwhile over the same period British bank deposits have grown by eleven per cent. The American banks have allowed their reserve balances to pile up in excess of legal requirements; the pressure of surplus cash has not yet been heavy enough, or sufficiently long in operation, to induce such large purchases of investments as will restore the volume of bank deposits.

In conditions of deep trade depression such as exist now in the United States a revival of some degree of confidence, which is indispensable for any embarking of new money in industry, seems to be obtainable only through a steady rise in the bond market, the initiative in such a rise apparently must come from the banks, and the movement will attain full strength when they feel themselves free to use their suprlus cash. In the present uncertain temper of American depositors the banks continue to hold an excessive amount of cash, though the practice materially

reduces their profits. Sooner or later, however, they will invest the surplus cash in securities, provided the surplus is kept large enough by the continued open market operations of the Reserve Banks. High-class investments will then rise in price, and lower grade stocks will slowly return to favour with a gradual strengthening of confidence. The new capital market will revive, and in this way new money can eventually be brought into use by industry in the United States. Although the method is less direct and less immediate and certain in its operation than the method in this country, in essentials the two are the same.

PROSPECTS FOR AN EXPANSIVE POLICY.

There is nothing then in recent experience to give ground for discouragement or scepticism regarding the benefits to be derived from an expansive monetary policy. We are free to regulate in great measure our own price level by increasing or diminishing the quantity of money. But we must not allow ourselves to be disturbed by the fact that if gold continues to appreciate while our price level remains steady or rises the inevitable effect is a fall in our exchange. If we become alarmed by the fall and counteract it by a renewal of deflation, our exchange, it is true, will recover, but only at the expense of our trade. Internal prosperity with a balanced budget, lower taxation and reduced unemployment is far more important to us than the rate of exchange. Sooner or later, even if no voluntary measures are adopted, budget deficits in gold-using countries will themselves produce a remedy for falling price levels, and we ought meanwhile to allow nothing to deter us from the policy of restoring our internal price level to a higher standard.

Two conditions, however, are essential for the success of this policy. First, it must be pursued wholeheartedly; the maintenance of an abundant supply of cheap money must be accompanied by full facilities for its use. And secondly, we should set aside, at least for the time being, all thought of returning to gold either at the old or any new parity. There should be no attempt to govern our monetary conditions by reference either to the gold value of sterling or to the size of our gold stocks. There is no reason whatsoever, for example, for suggesting that money should be dearer and scarcer here because gold has been sent to America in payment of an instalment of war debt. In one respect at least the reported attitude of the British delegates to the preparatory commission of the World Economic Conference is cordially to be welcomed: it is worse than useless to consider returning to gold unless and until it shows some reasonable prospect of becoming a stable standard.

If under such conditions as I have mentioned an expansive monetary policy is consistently and strenuously pursued, I have little doubt that the enlarged supplies of money will lead to a higher level of commodity values. This result would have every prospect of paving the way to prosperity. Our national finances have been brought under better control; the spirit of our people, notwithstanding grave sufferings and disappointments at home and incessant difficulties abroad, is still firm and progressive; and the basic position of most of our industries is healthy. I believe, too, that many firms are paying great attention to scientific research, the value of which can hardly be overstated, though there is still large room for further advance in this direction. The facilities for such research, through Government establishments, trade organizations and university institutions, are greater than ever before, and should be availed of to the full. Our traditional enterprise and inventiveness have by no means been extinguished. If then we match industrial and trading potentialities with a liberal and enlightened monetary policy we can ensure the fullest enjoyment of our own economic resources and at the same time contribute to the restoration of world-wide prosperity.

THE FALL IN BANK ADVANCES.

The decline is evidence of the restricted field for accommodation to industry and trade, though it is sometimes interpreted as betraying pressure by the banks for repayment and reluctance in granting fresh facilities. In order to make the position clear I propose to quote a few figures. An analysis has been made of the advances on June 30, 1932, the latest practicable date, and the results have been compared with those for the end of 1929, when the more recent slump in trade was only in its early stages.

Between these two dates our advances fell by £23½ millions. Of this sum, however, the drop in advances for financial purposes—chiefly for investment in stocks and shares—accounted for £ 10½ millions, a movement parallelled by the heavy fall in stock exchange loans included in money at call and short notice. Thus little more than one-half of the decrease remains to be accounted for under the general heading of accommodation to industry and trade.

When the detailed figures are examined it becomes clear that the decline in business advances is not traceable to undue pressure on the smaller borrower, but to shrinkage in the demand. Our advances to agriculture, for example, which number more than 18,000 were actually higher by nearly five per cent than at the end of 1929. Similarly, advances to over 20,000 small retailers, as distinct from stores, multiple shop organizations and co-operative societies, show a rise of nine per cent. The only other increase of note is in advances for building and the related trades, and these again are small on the average. Almost every other group shows a decline, in some instances very slight. The total number of advances, as opposed to the amount, is slightly increased.

The downward movement in the total amount is readily explained by two main tendencies. First, temporary accommodation has been largely replaced either by new issues of capital or debentures or by fixed, long-term loans from insurance companies, savings banks and similar institutions. As an example, advances to local authorities and public utility companies declined over the period by £2 millions, while a number of new issues among industrial and trading companies account for a much larger sum. Secondly, the rise in prices of gilt-edged securities, more especially since the end of 1931, has induced many trade borrowers to realize investments for the purpose of repaying, in part or in whole, their obligations to the Bank. These two tendencies together would seem to have resulted in a reduction in the total of advances even larger than that actually recorded under the heading of trade and industry. It may be concluded, therefore, that ample facilities have been accorded to meet all reasonable requirements of industry and trade in these times of exceptional difficulty. I should add that, notwithstanding the quietude in the new capital market, the influences mentioned have operated with increased force during the past six months.

For these reasons our advances now stand at the lowest level in relation to deposits recorded since 1919. We are consequently in an extremely liquid position. If the present level of deposits is maintained in pursuit of a wise monetary policy, we shall be able to meet all reasonable demands upon us for fresh business accommodation.

The extent to which the "Buy British" campaign has helped Britain far more than the depreciation of the currency will be seen from the following figures (millions of £):—

		Imports.	Exports.	Balance.
October 1932	..	61	34	—27
,, 1931	..	81	38	—43
,, 1930	..	91	54	—37
Ten months to				
October 1932	..	581	344	—237
,, 1931	..	702	379	—323
,, 1930	..	876	563	—313

The figures speak for themselves, says *Swadeshi*.

The Indian rupee has depreciated to the same extent, but Indian trade balance is moving more and more against her. Compare the following figures (in lakhs of rupees):

		Imports.	Exports.	Balance.
October 1932	..	998	1,176	+ 178
,, 1931	..	1,000	1,311	+ 311
,, 1930	..	1,278	1,814	+ 536
Seven months to				
October 1932	..	8,090	7,397	—693
,, 1931	..	7,336	9,114	+ 1,778
,, 1930	..	10,517	14,328	+ 3,811

What a tragedy we see. We want a more intense "Buy Indian" campaign to correct our adverse balance of trade which has moved against us by about Rs. 6½ crores per month in two years.

In connection with the immense benefits which it is believed that poor India will derive from the Ottawa Pact, the following figures for July-September 1932 will be found of interest, says *Swadeshi*. It should be remembered that, during this period, the terms of the Pact were in full operation as far as our exports are concerned:

	British Imports.	Imports into India.	Exports from India.
Wheat (million cwt).	27	*Nil.*	*Nil.*
Rice ,, ..	0.5	0.2	101
Tea ,, ..	149	88	124
Tobacco ,, ..	37	4	6
Hardwood ,, lb. ..	6	0.1	0.2
Cotton ,, lb. ..	2.4	0.2	2.5
Wool ,, ..	1.1	0.05	0.06
Linseed cwts ..	1.9	0.03	0.7
Hides and Skins ..	0.2	0.9	0.1
Pig Iron 1,000 tons ..	7.5	4.2	12.4

It will be seen that in some of the commodities our share and prospects are very nearly zero and in others they are not bright. The figures are taken from *The Indian Trade Journal* issued by the Government from Calcutta and they should speak for themselves.

Canadian Trade and Finance.

World Economic Conference.

Montreal, January 26, 1933.—Great hope is felt that the World Economic Conference will solve the difficulties which are preventing business recovery; certainly its failure would be a sad commentary on the intelligence of those directing the course of world affairs. As yet, no agenda is available but in a general way its task is to provide formulæ for the solution of our present difficulties. In advance, the United States has requested that the subject of war debts and tariffs be excluded from the agenda. It seems impossible to keep these out of the discussion, but the solution may be that the war debt problem will be settled independently prior to this Conference, a consummation greatly to be desired. What then are the outstanding factors responsible for the world depression? The answer to this question seems to be a babel of voices, each announcing its own pet theory.

It is a popular idea that the fall in world prices is the result of over-production. The fact is that the total purchasing power of the world is governed by the total volume of production valued at current prices, and purchasing power can be increased only by increased production. Commodities pay for commodities. Money is only a medium of exchange and all exchange is ultimately barter. Demand and supply, therefore, are reciprocal. Were the fall in prices due to increased production, no further explanation would have to be looked for, but, in fact, the fall coincides with diminished production. The total value in money output of the world is decreased both by the percentage by which prices fall and by the decrease in the physical volume of production. These wide fluctuations in the money value of output are clearly a monetary phenomenon which, if properly understood, could be prevented. When the average of all prices declines, this can only be explained by an undersupply of that in which prices are expressed, *i.e.*, money, and it would seem that if the effective supply of money is kept in the right relation to production of commodities, the phenomenon of a declining average price level would not occur.

Another school tells us that interference with trade through imposition of tariffs, quotas and exchange restrictions is the factor responsible for the major portion of our difficulties. Unquestionably, the world is far less prosperous than it would be if all such interference were abolished. Import quotas and exchange restrictions, however, are new phenomena developed since the depression commenced and brought into use only to protect the internal economy of countries against the drastic drop in world prices. Tariffs and dumping duties were materially increased for the same reasons. To the extent that these changes are a result of the depression there should be no great difficulty in doing away with them, as business gradually improves. The idea of world free trade, however, is not one for which the most enthusiastic idealist dares to hope. In most countries, protection has created vested interests the liquidation of which, except over a long period, would prove a disturbing and painful process; moreover, the spirit of nationalism fostered in all countries can be appealed to successfully to cloud this issue. Therefore, until we reach that far-off divine event when we shall have the parliament of man and the federation of the world, we shall probably have tariffs, reasonably justified, perhaps, by counsels of national defence, different standards of living, etc. Nevertheless, there probably will be no delegates at the Conference who will not freely admit that a general reduction in tariffs and a removal of other restrictions upon international trade would prove of great benefit to all countries.

Many thoughtful men have pointed out with much justification that the world has only been prosperous in the past when the more advanced countries were lending assistance on a large scale to undeveloped areas. This development has involved large transfers of capital, which have almost ceased during the past five years. With the enormous proportions of transactions of this character in default, it is useless to expect more than a gradual resumption of foreign lending, except in the case of particular developments where the projects are controlled by the nationals of the leading country; perhaps even this alternative does not hold out too great hope since in the later stages of the depression we have seen prohibition of remittances of profits and even cancellation of contracts previously entered into in good faith. Such interference has gone a long way to discourage similar enterprises on a large scale for some years to come. Also, with the experience of the past

few years, fresh in their memory, countries sadly in need of development of their latent natural resources may hesitate to permit large-scale foreign borrowings. One outstanding characteristic of the initiation of the depression was *the ruthless cutting off of the further money absolutely necessary to complete unfinished projects, with the result that in many cases the expenditure already incurred was rendered worthless.* It should be noted, however, that the quick recovery which followed the slump of 1920-21 was greatly aided by assistance rendered by international consortiums, backed by governments providing assistance to countries which would otherwise have had only a painfully slow recovery. The proposed final liquidation of German reparations contemplates something of this same *kind. Unless plans can be developed along similar lines to rehabilitate large areas which are in a financially chaotic condition,* on the basis of a broad long-term view of the general good and without the prospect of the immediate profit which would tempt private capital, there can be little hope of more than a gradual resumption of investment in backward countries which was the outstanding feature of world business for two or three generations before the war and of the post-war period up to 1928.

If, then, we assume that there is hope for a gradual reasonable solution of the problems *already examined why is there so much apprehension as to the results likely to be obtained,* and why are the principal countries so slow in agreeing to a definite date and meeting place for the World Economic Conference? Is not the answer the difficulty of meeting the phenomena of the most drastic decline of the price level on a world-wide basis which has been recorded in history? This is another way of referring to the practical breaking down of the gold standard and international exchanges. This is a problem which is bound to be debated from almost irreconcilable points of view. *Those countries remaining on the gold standard will come prepared to consider making concessions* to other countries, previously thought impossible if as a result a basis can be found for inducing countries which are now managing their currencies without reference to gold, to return to the gold standard. The gold countries will point out that concessions with regard to tariffs and import quotas are impossible unless they can depend on stability of exchange, that these restrictions have been necessary to protect their internal price levels against depreciated money, and that to make concessions, at least from a short-term point of view, would only accentuate internal difficulties. This viewpoint might be debated, since the depreciation of the moneys of most of the countries not on the gold standard has *been rendered inevitable by the efforts to maintain foreign payments in the face of constantly increasing obstructions* to the international movements of goods. But the viewpoint will probably be strongly held by the gold countries. There is enough truth in their arguments that it will be difficult to have the delegates depart from their position in principle, and quite impossible when considered in the light of the political consequences at home.

What then is the position of the countries which have abandoned gold payments? For this purpose the situation might be considered from the viewpoint of the sterling group, representing as it does a unit roughly as important as that of all the countries remaining on a gold basis. Great Britain could point out that *in an effort to stop deflation and to maintain the gold standard throughout Europe she did not receive much assistance or sympathy from other countries and all but ruined her own position,* and that unless the gold countries see clearly the direction in which they are proceeding, no concessions or rewards which may be offered can justify her in again placing her economy at the mercy of a gold standard which operates without rhyme or reason. Unless there is a reasonable expectation that the value of gold can be controlled the gold standard must be discarded as a world medium of exchange.

How can these apparently irreconcilable points of view be reconciled? Many influential leaders of business in both France and the United States have repeatedly stated that it is hopeless to expect to control our level of prices by monetary policy. If this latter point of view is generally accepted by the gold countries, the Economic Conference seems likely to be a failure. To those French economists who reject the feasibility of conscious control of prices, we should like to ask the question as to why the price level in France is about four times as high as before the war as compared with a price level in the United States somewhat lower than that in 1913. Surely the only possible answer is French monetary policy. To those in the United States who take similar ground, we venture the suggestion that if the position

they maintain is held and the policy of liquidating the depression within the United States at the present or a lower price level is attempted only one conclusion seems logical—*i.e.*, that the depression will be prolonged, but that inevitably the weight of gold demonetized in more than half of the world must flow to the United States, and in the absence of control produce eventually violent inflation. Would it not be better for the gold countries to adopt the point of view so ably set forth in the MacMillan Report that the reasonable solution of our present difficulties is by monetary policy to raise the level of prices in gold countries to the approximate level of 1922-28, during which period the bulk of the world's debt was incurred or re-financed? If they do not adopt this idea promptly or if, on the contrary, they follow the advice of the bitter-end deflationists, who at present are apparently in control, they may force other countries to finally and definitely break away from any connection with the gold stndarad, with the result that those adhering to gold will find that an increase in gold prices will eventually occur on a far larger scale than would follow upon the adoption of the reasonable and moderate policy here set forth.

It is significant that Sweden, which has probably a consciousness of the importance of intelligent control of money relatively unequalled in any other country, has recently adopted a policy which in the future will attempt to provide for stability of the internal price level, regardless of the effect on foreign exchange rates. This is clearly inconsistent with their ever resuming gold payments, unless the gold standard is managed along similar lines. But in all other countries, gold is still legal tender at the old parity of exchange and return of prices in gold countries to the level of 1922-28 could be expected to bring many exchanges back to their old parity. There is room for doubt as to whether this would occur in a number of countries which are in a weak position and without conscious monetary policy. It seems reasonable to expect, however, that this policy would bring Great Britain, together with a large number of countries which look to Great Britain for financial leadership, back to the gold standard. If we accept this theory, then the acceptance of resumption of gold payments by the greater part of the world and the removal of irreconcilable difficulties between the two great monetary groups will be achieved if the gold countries agree by definite monteary policy to increase materially their internal prices. This also offers the best, perhaps the only, hope of avoiding much further depression and misery in the gold standard countries themselves.

THE WORLD WHEAT SITUATION.

World shipments of wheat since August 1st last have been the smallest in a decade. Shipments to the Orient were relatively large but other countries have taken only moderate amounts. European imports have been notably light as a result of the record crops harvested last year in many countries and the extreme severity of restrictions on wheat imports and consumption. Exports of Canadian wheat during the period, however, were of relatively large volume and amounted to more than 50 per cent of the total of 244 million bushels shipped from all exporting countries. New crops are now being harvested in Argentina and Australia and Canada will hardly be able to maintain this predominant position. European stocks, however, are reported to be low and it is expected that total shipments will increase in volume during the balance of the marketing season.

Canadian conditions during 1932 were favourable for wheat production. The area sown was a million acres greater than in 1931 and an abundant crop was harvested. Total production is estimated at 429 million bushels against 304 million bushels in 1930. The carry-over at the end of the previous marketing year was 137 million bushels, so that the total supplies of wheat in Canada for the period August 1, 1932 to July 31, 1933, amount to 566 million bushels. Of this, 125 million bushels are required for domestic purposes, leaving 441 million bushels available for export. Mr. George Broomhall, the British expert, recently estimated the probable shipments from Canada during the crop year at 328 million bushels, 140 million bushels have already been shipped. Should the Broomhall estimate prove correct the carry-over of Canadian wheat at the end of the present crop year would be materially reduced.

Conditions in the United States winter wheat belt were unfavourable last year and the outturn of this crop was officially estimated at 462 million bushels against 787 million bushels in 1931 and a five-year average of 549 million bushels. Acreages sown to spring wheat were increased over 1931 and good yields were general. The indicated production of all wheat is 727 million bushels against 900 million in 1931 and a five-year average of 874 million bushels. Normal domestic requirements practically approximate the total

wheat crop harvested in 1932. The carry-over was large, however, making supplies more than ample for all requirements. Considerable apprehension has since arisen as to the prospects of the coming crop in the winter wheat area. The acreage seeded shows a substantial reduction; the weather has been unseasonably cold and moisture supplies deficient. The condition of the crop on December 1st as indicated by official reports is the lowest since these reports were first issued in 1863. It is said that the crop may not realize more than 400 million bushels. Domestic prices have risen sharply while export shipments from the United States have been greatly curtailed, amounting to only 18 million bushels during the second half of 1932 as compared with 59 million bushels during the corresponding period of 1931.

The Argentine wheat crop has been officially estimated at 231 million bushels against 220 million bushels in 1931-32. Conditions were generally favourable early in the season and a crop of 250 to 275 million bushels was anticipated. Severe damage was caused by locusts and drought, substantially reducing the yield. Shipments during the autumn months were only moderate in volume but stocks of old wheat are comparatively small. The new crop is now coming rapidly forward and exports will be heavy. Facilities for carrying the crop are not extensive and heavy shipments during the early part of each year are usual. The surplus available for export is estimated to be about the same as in 1931-32.

The wheat crop now being harvested in Australia is officially estimated at 200 million bushels, an increase of 10 million bushels over the previous crop. The area sown was increased by a million acres. Conditions were generally favourable for the development of the crop. On the basis of the present estimate the exportable surplus of wheat in Australia will be about 150 million bushels, against actual shipments of 156 million bushels in 1931-32. A considerable proportion of the Australian exports last season were shipped to the Orient and it is considered probable that similar sales will be made this year. The demand for Australian wheat in China and Japan reduces the pressure on European markets.

Western Europe harvested bumper crops in 1932. New records were established in Germany, Italy, Spain, Portugal, Greece, Holland, Scandinavia and Czecho-Slovakia. French production was 65 million bushels larger than in 1931. The total yield in Western Europe is estimated at 1,380 million bushels as compared with 1,202 million bushels in the previous year. In order to dispose of these supplies, tariff and other restrictions on wheat imports have been substantially increased. The Danube Basin and Russia did not fare so well and crops are much smaller than for some years. Total supplies available in Russia and the Danube Basin are reported to be but little above domestic requirements. Exports from Russia have fallen off 50 million bushels and Danubian shipments have been small.

Broomhall has estimated the total wheat imports required during the present season at 258 million bushels for Great Britain, 246 million bushels for Continental Europe and 200 million bushels for other countries—a total of 704 million bushels. The estimated imports for Europe are 94 million bushels less than the actual imports in 1931-32; the total required by other importing countries shows an increase of 12 million bushels. On the basis of this estimate the total volume of wheat imports will be some 82 million bushels less than in the previous season. Imports during the first half of the marketing year have been restricted in order to expedite the disposal of domestic supplies. Shipments have averaged but 11 million bushels weekly against an average requirement of 13½ million bushels if the total movement anticipated is realized. As domestic stocks are depleted it is expected that restrictions against wheat imports will be gradually relaxed and shipments increased in volume as the season progresses. The total shipments for the year, however, are expected to be the smallest during the past decade with the exception of 1929-30.

The total surplus of wheat available for export continues to be more than ample to meet all requirements. Supplies in the Southern Hemisphere are about the same as last year. Heavy stocks are still held in Canada and the United States. Russia and the Danubian countries, however, are not in a position to participate in wheat shipments in the volume of previous years. Winter wheat crops have suffered in Europe as well as in the United States although the outturn cannot now be gauged and normal weather in the next few months would go far to improve the present outlook. Prices in the United States are above the export level, some shipments, particularly of the lower grades, will continue to be made.

Diary of an Economist.

Technocracy.

Technocracy appears to be a new and not very euphonious name for a very old theory, but one of the advantages—or disadvantages—of a new setting is that it attracts attention. Consequently since *The Times* published an interesting article in explanation of the term, the subject has been widely discussed. Briefly, the theory seems to be that the inventive genius of mankind has evolved such greatly improved machinery for productive purposes that it has become necessary to control output in conformity with the calculations of the technocrats. Nobody will dispute the unwisdom of turning out more commodities of a particular kind than the world can consume, but the operation of the law of supply and demand can be relied upon to check any tendency of that kind in time, and the practical question seems to be whether it is possible to regulate production in a more efficient manner. The difficulties are obvious since the field of operations must include the whole world. The real problem before the world is to ensure proper distribution of wealth rather than its curtailment. While the standard of a vast majority of the world's inhabitants is pitifully low, it seems absurd to check the production of wealth and wrong to overlook the teeming hordes who under present conditions merely subsist. The whole philosophy of modern life is based on the belief that the way to prosperity lies, according to *The Times*, in increasing the prosperity and purchasing power of all the inhabitants of the Empire. No doubt what is true of the Empire is said to be true of the world, but our first task is stated to be to deal with the problem of Empire development. The efforts that have been made to restrict the output of wheat, coffee, copper, rubber, tea, cotton and other commodities are acknowledged to have failed. Is it likely that better results will attend efforts to limit the output of boots and shoes, pottery, cutlery, shirts, or any other product of which mankind has need? There is practically no limit to the work of the world, but man's genius for making machines has for the moment outrun his ability to distribute their output to the people who need it and to provide the necessary finance, and there is strong reason to believe that the explanation lies in the fact that the producers of secondary products have injured their own prospects by their efforts to get more than their fair share of the new wealth at the expense of the primary producer.

Decline of Population in Europe.

In the general confusion of world politics and economics, North-western Europe is losing sight of one of its most important problems, that of a dwindling population, according to a recent analysis of population movement and distribution by Professor Sven Brisman of Stockholm University. While the current depression builds up economic restrictions to marriage and reproduction, the birth rate in North-western European States, irrespective of the depression, has declined to a level that would have been considered incredible only a few years ago, Professor Brisman declares. Sweden, with a birth rate of 14.8 per 1,000 for 1931, a new low record, yielding a nativity surplus of less than 14,000, takes part in a general falling tendency, the report points out. In absolute figures, Germany is credited with the greatest decrease, a total of 96,000 fewer births in 1931 than in 1930. The total decrease for all countries concerned is 150,000. Moreover, the age composition is such that the number of aged is increasing rapidly. The number of deaths was about 95,000 higher than in 1930, reducing the excess of births by nearly a quarter million. The next index of reproduction for England, Germany and Sweden, Professor Brisman points out, is now about 77, taking 100 as the figure required to keep the population constant in numbers. In Stockholm, where a surplus country population had been absorbed of late years, the next index of reproduction is only 41. This lowering of fertility has taken place, Professor Brisman declares, despite a large increase in the number of marriages as a result of the stoppage of emigation. In England and Germany 100,000 more marriages were contracted in 1930 than in 1925. In Sweden the number of marriages in the corresponding years were 37,000 and 44,000 respectively. In cities in Sweden the surplus of births over deaths is so small as to be negligible. For the past several years, Professor Brisman states, the cities of Stockholm, Gottenburg, Malmo, Halsingborg and Boras have been swallowing up the whole nativity surplus of the nation, regardless of source, with the result that stagnation of population has set in for the rest of the country. This condition, he finds, holds true in greater or less degree

in all of North-western Europe. In Germany the birth rate dropped from 17·5 in 1930 to 16 in 1931 ; in Great Britain from 17·8 to 16·3 ; *in Norway from 17·4 to 16·7 ; in Switzerland* from 17·2 to 16·7 ; in France from 18 to 17.4. Through irregular age composition, economic restrictions of depression and the notable lowering of fertility, the population question, Professor Brisman concludes, is destined to be a dominant one in Western Europe within fifty years.

WORLD POWER CONFERENCE, 1933.

The preparatory work of the Organizing Committee of the next World Power Conference which will take place in 1933 in Scandinavia proceeds steadily and successfully. The first plenary World Power Conference was held in London in 1924, the next in Berlin, 1930. There have also been Sectional Meetings with concentrated programmes, for instance at Basel in 1926 and London in 1928. The Scandinavian Conference will be such *a special meeting, dealing with the energy* problems of large industry and transport. Participation and collaboration of 15 countries *(outside Scandinavia) has been hitherto* assured. More than 170 reports have been announced so far. About 1,000 persons and *organizations have written for information and* many of them are already inscribed in the participants' list. About 40 reports to be published at the meeting deal with problems of energy supply in large-scale industry, such as combined power and heat supply, the role of large-scale industry in national power schemes, etc. Among these papers some studies suggesting quite new solutions of several important technical and economic problems are contained. In others are presented valuable technical and economic results and experience. A considerable number of technical papers treat the problems of long-distance gas transmission, now particularly prominent in many countries. Other papers are devoted to more special power problems concerning the iron and steel industry, pulp and paper, as well as cement, sugar, textile and other steam heat consuming industries. Energy questions of transport yield subjects for 62 reports ; railway and marine transport, peculiarities of city and suburban traffic, are discussed with due emphasis *on the keen* competition which electric traction and Diesel engines have put up against the steam locomotive. *In face of the difficulties of the world* situation, there is more need than ever of rational planning in industry. The good support given the World *Power Conference* Sectional Meeting in Scandinavia shows that technical and economic circles fully appreciate this opportunity *for the manufacturer to meet the* power expert in order to discuss common problems and exchange experience.

ROAD AND RAIL.

Now that the House of Commons has sent *the London Passenger Transport Bill to the* House of Lords there is a steadily growing interest in the promised Bill to implement the findings of the Salter Committee on Road and Rail. When Sir Arthur Salter spoke at a meeting of supporters of the Government who are interested in transport problems there were about 200 members present. Sir Arthur Salter insisted that the real problem of transport was not competition but co-operation between rail and road. In the future co-ordinated rail and road services would strive to persude the trader and the industrialist to use their services instead of running his own vehicles. That was why the committee's proposal to safeguard the ancillary owners was so *important* and would give the benefits of both co-operation and competition. For each class of traffic in the circumstances of the different *districts there could be an ideal division of* functions between road and rail—road up to a certain distance and rail beyond it ; road to *collect and deliver, rail transport for* long hauls. Sir Arthur also urged that there is a large potential development of the container *system which will need scientific and* expert study. But the first requisite in the whole problem is a fair, stable and undisputed basis of taxation and control and the termination of the acutely controversial atmosphere of recent years.

TRADE CHANGES IN INDIA.

In the five years before the War India took 64 per cent of her oversea requirements from this country ; the percentage is now nearly halved and stands at about 35. Many important factors have contributed to this change : and the matter is well worth examination in the light of comments made upon it at a meeting of the Royal Society of Arts, when Mr. H. A. F. Lindsay, Trade Commissioner for India, read a paper on "Recent Tendencies of Indian Trade". He remarked that a good deal of nonsense is often talked on the subject. The decline in the overwhelming dominance by the United Kingdom of India's import trade began many years before the War, though the tendency was concealed by the fact that the total imports of India

were steadily expanding. India has always bought on price rather than on quality, though she has been a very careful and judicious purchaser and has quickly recognized quality, especially when combined with low price. This combination, Mr. Lindsay observed, was provided by England in the nineteenth century. Subsequently, however, the competition of the Continent, and later of the United States of America and Japan, led to serious price cutting. The British manufacturer kept his reputation for high-class goods, but a rising standard of living deprived him of the advantage of low costs. This, however, is only one part of the story. In the discussion Mr. R. W. Brock pointed out that at the time when this country had two-thirds of India's import trade in her hands, the output of industrial products in India was small in relation to its persent standard. Moreover, British enterprise in India was constantly adding to the investment of capital there. Further, we were not confronted by the keen competition for the Indian market which has since grown up. The great standby of our trade was cotton manufactures.

Whereas before the War the output of the Indian cotton mills was about 1,000,000,000 square yards and our exports to that country were in the region of 3,000,000,000 yards, the present position is that the total imports of India are under 1,000,000,000 yards, while the output of her mills has gone up to nearly 3,000,000,000 yards. India produces three yards out of every four yards consumed in the country. But instead of supplying the balance of a yard of cloth we supply only half a yard, while Japan and other countries provide the other half-yard. The net result is to reduce this trade to one-sixth of its former dimensions.

There are other factors, such as the much larger demand in India for goods we do not supply in the halving of our share in India's import trade; and these were in operation before the present world-wide depression set in. As an outcome of the present depression, the export trade of India has been halved since 1929; the import trade, owing to the decline in the resources at the disposal of the purchasers in India, has fallen in the same proportion; and this country, as the largest of all suppliers to India, has been hardest hit.

Mr. Lindsay, in his reply, pointed out that the great increase in the production of cotton cloth in India has not been accompanied by any increased consumption corresponding to the growth of the population. He regards as one explanation the fact that standardized cloth has very largely taken the place of the old specialities such as Lancashire produced which the people could afford to buy in the past. Further, there has been a considerable increase in hand-loom production, and the growing consumption of rayon has to be taken into consideration.

The following is from the Economist on the Meerut trial:—There is something wrong with a judicial procedure, which has lasted four years all but two months, has cost the Government of India £120,000, and has caused the prosecuting counsel to die of overwork and several of his assistants to break down, in order to produce, at the end, the conviction of three English and twenty-four Indian Communists on a charge of having conspired "to deprive the King-Emperor of his sovereignty in India and of waging war" against him by organizing a Communist revolutionary movement. The sentences vary from transportation for life, and from terms of 12, 10, 7 and 5 years, to sentences of four and three years' rigorous imprisonment. We are not inclined to plead for the condemned persons *ad misericordiam*. It is wiser to assume that, like many non-Indian Communists and many non-Communist Indians, these men are devotees who are prepared to make any amount of personal sacrifice for a cause in which they rightly or wrongly believe.. Presumably their purpose has been to give Communism in India the greatest publicity which they could achieve; and it must be confessed that they have succeeded magnificently, and that the Indian system of administration has played into their hands. In these vulgar times the talisman of publicity is "big figures"; and all the figures in the case—the length of the trial and the length of the sentences and the lakhs of rupees, and the string of nervous breakdowns —are sustained in a high degree. We cannot believe that this is the most sensible way of handling communist agitation in India or anywhere.

Better live on a desert island with a one-eyed parrot that swears than to live in a pearly mansion in Paradise with a woman who pouts.

If you will work for others as you would like them to work for you, you'll never be out of a job.

Indian Economic Notes.

Sugar Production in India.

According to *Agriculture and Live-Stock in India*, there are at present 33 concerns in India equipped for refining *gur* or raw sugar, out of which 19 factories also manufacture sugar direct from cane and 14 work with raw sugar alone. Of the former only 3 refined *gur* during the year 1931. and of the latter 7 worked during the year. 4 were silent and returns from 3 have not been received. There were thus 10 factories refining *gur* as against 11 factories during the year 1930. Of the 10 factories that refined *gur* during the year 1931, 5 are situated in the United Provinces, 3 in Madras and 1 in the Punjab.

The figures of gur or raw sugar melted, sugar manufactured and molasses obtained in the whole of India during the year 1931 are given below:—

Gur or raw sugar melted	..	15,71,625	10.20,103
Sugar manufactured	..	8,65,364	5.75,709
Molasses obtained	..	5,36,871	3,51,123

The total quantity of sugar produced by factories making sugar direct from cane for the two years 1930-31 and 1929-30 are as follows:—

Years.		*Mds.*		*Tons.*
1930-31	..	32,62,574	or	1,19,859
1929-30	..	24,43,486	or	89,768

If the quantity of sugar refined from *gur* or raw sugar in India by modern process during these two seasons be added to the above figures the total production in the combined seasons will amount to 41.27.938 mds. or 1,51.650 tons in 1930-31 as compared with 30, 19, 195 mds. or 1,10,918 tons in 1929-30.

Live-Stock By-Products.

By-products obtained from the slaughter of live-stock enter into hundreds of articles in daily use at the present time, ranging from boots and shoes, machinery belting, soap, candles, glue and fertilizer to aimal and poultry foods, while medical science obtains insulin and serum and many pharmacuetical products from the same source. In a paper on "Live-Stock By-Products and By-product Industries" recently read by Mr. G. R. White before the Royal Statistical Society it was computed that the value of the manufactures from live-stock by-products in this country was not less than £ 121,000,000 in 1924, the year of the last completed Census of Production, while £ 97,000,000 of this total represented the contribution of these industries to the national income of the country. The total output was £ 10.000.000 more than the total value of all the live-stock sold for slaughter in the United Kingdom, and was more than twice the value of the output of the shipbuilding or chemical industries in the same year. In 1924 the live-stock by-product industries gave employment to 350.000 persons, or two-thirds of the number employed in the cotton industry and 25 per cent more than the number employed in the woolen industry.

The world supplies of live-stock by-products are determined by the demand for the primary products. meat, milk and dairy produce and wool. *An increase in the demand for hides* does not add a single hide to the quantity produced. whereas, if the demand for beer increases, stock-breeders are induced to extend their activities, more cattle are slaughtered and more hides are produced, whether there is an increased industrial demand for them or not. The relation between prices, supplies and demand in the case of hides, therefore, will be entirely different from what it is in the case of, say, meat. Mr. White devoted the later part of his paper to a consideration of some factors relating to live-stock by-product prices, supplies and demand. Taking hides as an example, it was shown that between April, 1927, and January, 1928, prices rose by over 60 per cent, subsequently falling by over 65 per cent between January, 1928, and August, 1931. This violent fluctuation in prices was associated with a rise in leather production of the order of 15 per cent, followed by a fall in production of about 20 per cent.

An interesting point brought out in the paper was the fact that since 1925 world stocks of cattle have remained relatively constant at about 12 per cent above the pre-war level.

Indian Tea Imports.

The India Tea Bureau, New York, reports that tea imports into the United States from India gained eleven per cent in the three months ending September 30, 1932, as compared with the same period in 1931: a total of 4,035,059 pounds in 1932, against 3,626,257 pounds in the 1931 period.

Mills Compete with Banks.

Mr. G. Finlay Shirras. in course of a lecture recently delivered at the Ahmedabad centre of the Indian Institute of Bankers, said that the Ahmedabad mills are competing with join

stock banks and attracting large deposits from the public. The mill industry has received deposits from public of about Rs. 5,00,00,000 which joint stock banks in the city have been unable to attract. Mr. Shirras' lecture dealt with indigenous bankers and the problem of linking them in the banking system of the future. The Ahmedabad mill industry had been able to attract deposits because of its very sound position. The mills were well managed and were making profits in spite of the trade depression, and perhaps to a degree unequalled in any other centre of the world. Mills had no difficulty in getting deposits from the public at rates of interest from $4\frac{1}{2}$ to $5\frac{1}{2}$ per cent. Seth Kasturbhai Lalbhai, a local millowner, agreed with the lecturer and pointed out that, owing to the rigid rules requiring the hypothecation of goods, millowners declined the help of bankers, and preferred to arrange their own finance. He also thought that the best way was to encourage the indigenous banker to be a local agent of a bank, and to leave him a considerable amount of freedom because of his full knowledge of local conditions. He suggested that in view of the expenses that would have to be incurred by opening branches in out-of-the-way places joint stock banks should appoint local shroffs as the agents in such places. The village would also be benefitted by this.

WHO BUILT THE TAJ?

'The myth that the Taj Mahal was built by an Italian architect now belongs to the realm of the bed-time stories,' declared Mr. Arthur Upham Pope in an address to the India Society. He said that the fabulous tradition to that effect was due to the patriotic enthusiasm of an Italian friar Manrique who visited Agra after the building of the Taj and was the sole authority for the statement. Mr. Pope considered the fact that it was accepted in Europe despite documents giving names of builders and pricipal workmen all of whom were Asiatics and despite the fact that the building itself in every important feature was Persian and Indian. This constituted a dreary evidence of the incorrigible arrogance of the earlier European viewpoint which believed that anything of supreme excellency must originate from Europe. Mr. Pope described the Taj as a cooperative achievement between the Persian and Indian culture.

INDIAN COFFEE.

In the report of the Indian Government Trade Commissioner in Hamburg during the year ended March 31, 1932, it is pointed out that imports of coffee from India naturally constitute a very small percentage of the total imports into Germany. In 1931 India's share was 15,739 dz. out of 1,564,500 dz. The Central and South American countries are by far the largest suppliers. While Germany took 2,000 dz. less coffee from India during the year as compared with 1930, the decreases in the cases of France, Belgium and Holland were alarming, the 1931 figures being less than half of those for 1930. It has been stated that India herself is consuming more and more of her own coffee: but this is not the whole truth. Indian coffee is a high-grade coffee, and usually fetches a good price in European markets, and India cannot afford to lose valuable markets on the Continent, especially in France, her best customer. Straight Indian coffee cannot be sold to the retail public in Continental countries. Taste varies from country to country, and coffee must therefore be blended to suit the taste of each country. Indian coffee is generally blended with inferior varieties to impart flavour.

NEW USES OF RUBBER.

With a view to encouraging rubber consumption the Council of the Rubber Growers' Association of London in its annual report discusses suggestions for new uses for rubber, such as tires for rolling stock and upholstery (cushions, etc.) in railway carriages. With regard to the acceleration of vulcanization of rubber, none of the innumerable products proposed has so far proved entirely satisfactory. Piperidine pentamethylene dithiocarbonate alone would appear to be a genuine, rapid and active accelerator of vulcanization, while at the same time improving the qualities of the finished product.

Mr. Desmond Young, who has just arrived in India to take over the editorship of the *Pioneer*, Allahabad, was formerly editor of *Natal Witness* and for four years day editor of the *Cape Times*. Mr. Young, who is a son of the late Commodore Sir Frederick Young, was head of the salvage section of the admiralty after leaving Merton College, Oxford, and served with the 60th Rifles during the war and commanded a battalion. He is the author of *Ship Ashore*, which was very favourably reviewed at the end of last year. While in Natal, Mr. Young took keen interest in the Indian question there and strongly opposed the Areas Reservation Bill which aimed at the segregation of Indians.

Current Comment.

By "Scrutator".

The White Paper is a sadly disappointing document. It shows no advance on the last Round Table Conference. The constitution it envisages cannot prove workable. For a Federation it is too undemocratic, and for a democracy there is a Governor-General too much. The checks on the Local and Federal Legislatures loom large and the element of Responsibility in either sphere seems overshadowed by the regal, almost autocratic, powers vested in the Governor-General and the Governors. The dominant idea of the framers seems to have been "give as little as possible and keep as much as you can". That is neither the way to build a growing constitution—growing in the sense of making progress for a nation yearning for advance both easy and possible under a constitution possessing flexibility and power of adaptation—nor retain the allegiance of a discontented and critical nation. The keynote of the Cabinet view is struck in the very first Paragraph of the Introductory part of the White Paper, in which it is stated that the conversion of the present system of Government into a responsibly governed Federation of States and Provinces should be qualified by limitations, commonly known as "safeguards", "which have been framed"—it is said in so many words—"in the common interests of India and the United Kingdom." Compare that phrase with that laid down at the Second Round Table Conference by the Indian representatives who summed it up in the words "demonstrably in the interests of India". This was in accordance with the formula agreed to in the Gandhi-Irwin Pact which preceded the Second Round Table Conference. In that Pact, Para II recites that "as regards constitutional questions, the scope of future discussion is, with the assent of His Majesty's Government, to be with the object of considering further the scheme for constitutional government of India discussed at the Round Table Conference and of the scheme there outlined. Federation is an essential part, so also are Indian Responsibility and Reservations or Safeguards in the interests of India."

This will give you an idea of the mind behind the White Paper. A glance at the proposals contained in it will show: (1) that Federation is, as the French say, *in nubibus* (in the clouds) and not rooted in mother earth yet; (2) that the conditions set down for its realization are both hard and unattainable except, if at all with difficulty; and (3) that the preliminaries to be satisfied seem so formidable to the framers of the Constitution that they feel they owe it to themselves to state that if such difficulties as they contemplate occur, then "His Majesty's Government will take steps to review the whole position in consultation with Indian opinion." That shows the tremendous odds against the evolving of Federation on the conditions prescribed in the White Paper. You can build on rock but not on quicksands. Trust begets trust; goodwill can win over a nation; and the Constitution will be only a means to an end. The framers of the Constitution Act have forgotten the human element, the one thing that was ever present before the minds of the first great modern federalists, the framers of the great American Constitution.

A typical instance of the political shortsighedness of both the British Government and British Indian politicians has been their inexplicable attitude towards Indian States generally and especially towards certain of the major States which have had to put up with grievances of an age-long character in their own areas. British Indian politicians have neither tried to understand the problems of particular States nor have they cultivated their goodwill. The result has been that there has been a lack of sympathy between them, which is not only regrettable but also to be deplored as being most injurious to the interests of India as a whole. The British Government has always shown a tendency to treat Indian States alike. This may be defended from the point of view of general policy but in actual working, it has always meant serious inconvenience, if not harm, to particular States. The suggestion that the particular conditions of particular States will be considered in regard to contributions made by States (made in Para 61) is, therefore, a new departure and is welcome in States like Mysore. I am stressing these points only to state that from the White Paper point of view, a Federation is not possible if the Rulers of States representing not less than half the aggregate population of the Indian States and entitled to not less than half the seats to be allotted to the States in the Federal Chamber

have signified their desire to accede to the Federation. That shows not only the important position assigned to the States in the evolution of Federation in India but also the need for studying States' problems from the point of view of the States, so that contact might be established with them with a view to mutual good.

In regard to Mysore, I must say plainly that it cannot think of Federation until, quite apart from other matters, two conditions are fulfilled:—(1) the absolute total abolition of the subsidy paid by the State to the Government of India, and (2) the retrocession on certain agreed terms of the C. & M. Station of Bangalore. Justice and equity are both on the side of the State in regard to these two age-long questions. They date in fact from pre-Federation times and Federation has given only an opportunity to bring them into the limelight. The White Paper in outlining the procedure to be followed before the States and the Provinces can coalesce into a Federation lays down that so far as the States are concerned they can be asked to join only after (1) the Constitution Act has been placed on the Statute Book and they know the character and powers of the Federation; (2) the final discussions with the States are over in regard to their Instruments of Accession; and (3) they have actually executed the Instruments of Accession incorporating the terms and conditions on which they have agreed to enter the Federation. These terms and conditions may vary with the States and in so far as they surrender their powers and jurisdiction to the Federation *via* the Crown they will be exercised by the Federation; the rest of their powers and jurisdiction will continue with them as before and their relations in regard to them will be with the Crown represented by the Viceroy and not with the Crown represented by the Governor-General as Executive head of the Federal Government. *This being the position, it is open to the States* to put forward their individual terms and conditions so that they might be considered fairly and agreed to. For instance, in regard to Mysore, it is not only His Highness Government that require as a *sine qua non* the immediate aboliation of the subsidy and the retrocession of the C. & M. Station but also the people of the State. The last monster public meeting held in Bangalore is evidence, if evidence were required, of the strong feeling that is in existence in regard to both these matters. I have nothing to add to the arguments then advanced in regard to these two subjects. With the lapse of time, the feeling is, if anything, keener and public opinion is insistent that they should both be considered, now that Federation is to be evolved. In saying this in unequivocal fashion, I am, I think, doing what is most necessary in the interests of both British India and Mysore. Having regard to the terms of the White Paper, the allegiance of the major States to the Federation will help not only to evolve Federation, but also help to start India as a whole on a new era of progress. Mysore is ready, as ever before, to bear her part of the financial burden on an equal and uniform basis—population, territorial or other; only the old marks of servility, of feudal subordination on the one hand and loss of prestige through loss of *territory at the very doors of its administrative* capital on the other, should go and that instantly if Mysore is to agree to Federation. The people of Mysore expect their Government (His Highness' Government) to urge this view on the Government of India. In this, there is absolute unanimity of opinion among all classes of people in Mysore and between the rulers and the ruled. All are of one mind in this connection. In view of certain recent utterances in certain quarters in the C. & M. Station area, I would state that the people of the Station would do well to know that they stand to gain and not to lose by the retrocession. The legal and constitutional position of the Station will be rectified; unity of administration will be secured; the Station will retain its present amenities; and the Cantonment, as a cantonment, will not be interfered with. In plainer terms, the inhabitants of the Station area will, as the result of administrative union, secure representation in the Mysore Assembly and Council; and in the Federal Assembly and the Council of State. Also, taxation—both income and other local taxation—will be lowered. Educational grants will continue as heretofore; *a wider field for local talent will be* available; and the rest of the amenities now enjoyed will also remain undisturbed. Apart from these tangible advantages, the benefits to be derived from a unified civil administration are too patent to need particular mention.

I would also add that the position of European and Anglo-Indian settlers in the Station will be bettered by the change and not worsened. Mysore has had the largest European population resident in it for many years now and that is the best guarantee the European and Anglo-Indian pensioners in the Station area can need for their future good. I would

appeal to British Indian politicians to take note of the hour and see if they cannot make *Federation possible by not raising financial objections where there ought to be none.* It is only on this footing and on the basis of equality and justice that Federation can be *evolved in India. No State will willingly sign* an Instrument of Accession which manifestly will add to its existing shackles. That is in the nature of things impossible to imagine. *Nor can a State, which has patientaly suffered* long and represented to higher authorities for decade upon decade in regard to such suffering, be expected to agree to continue to suffer it for ages yet to come, without any prospect of its removal. The old order should go before the new one can come in. That is the *position of Mysore. And that* might well sum up, *mutatis mutandis*, the position of some other major States in India. If the major States are induced to come in on equitable *terms, the example is likely to prove* infectious. Before long, no seat in the or the Assembly Council of State would be left vacant.

Apart from the difficulties inherent in the present political situation, the Constitutional problem in India as a whole deserves to be approached in a spirit of goodwill, by the British Government, the Indian States and British Indian politicians. Granted goodwill on all sides, especially in regard to matters affecting the future of a great country, a speedy transformation of the position ought to be possible. Three conditions are necessary, in my opinion, if we are to realize *this transformation in fact*: (1) a change of policy on the part of Government on the political and administrative sides, and the release of Mahatma Gandhi and his compatriots so that *they might be enabled to freely discuss* matters of importance to the country; (2) a change of view on the constitutional aspects of the Indian problem on the part of British Government, so that the White Paper may be improved with as little delay as possible in the interests of India—which cannot be against those of the United Kingdom; and (3) a change in the attitude of British Indian politicians in regard to the larger Indian States, in whom they have so far shown little or no real interest. To the British Government, on whom much depends, I would recall the words of one of England's greatest statesman: "Magnanimity in politics is not seldom the truest wisdom; and a great empire and little minds go ill together."

* * *

The Indian Budget was introduced once again by Sir George Schuster and it has been passed. *It has, however, proved a wholly tame affair.* No remission of taxation; reduction of the salary cut; reimposition of the stamp duty on cheques which luckily has been defeated. *Of all the comments, the Times* City Editor's is the most characteristic. The connecting of "safeguards" with the Budget, though cunning, is intelligible. The Indian National Debt is self-supporting; ergo that is good. Nay, more; it is due to the financial statecraft of the Government of India. Why then refer to World Conditions and World Economic Conferences? The objective is clear. There it is in the advice tendered by the City Editor. "It is in the highest importance to the *future welfare of the country" to* retain the present position in tact and "India would be well advised to consent to whatever safeguards or measures are necessary to maintain it." *Semper idem* and *no more.* That way, progress is out of the question.

* * *

Sir George Schuster, in the course of his *reply to the speeches on the* Finance Bill, said that if an embargo had been placed on the export of gold, the imports would have been checked and the customs duty would have been brought down from Rs. 50 to Rs. 25 crores. This defence of his brings out the difference in the point of view of the Government and of the people. *The first* consideration of the Government is, as the "Leader" puts it, its revenue, although it may be derived from the export of capital which weakens the *power of resistance of the people to adverse* circumstances. India has been paying for its imports out of the exports of its commodities. But last year its purchases of foreign goods would have considerably dwindled if the export of precious metal had not been stimulated by the depreciation of the rupee. If in the next financial year the export of gold declines appreciably, the budgetary estimates of Government would be upset. The position is critical and uncertain. The outstanding *fact is that owing to the enormous* fall in prices and the drain of gold from the country the purchasing power of the people has been alarmingly reduced. Unless there is a *considerable rise in the volume* and value of export of India's products the situation will remain precarious. It points to the need of further reduction in civil and military expenditure, particularly the latter. Sir George has to look up, if the country is to emerge safely out of the present crisis.

Topics in the Journals.

Every-day Life in Soviet Russia: A Plain Tale.

Mr. J. F. Stewart, F.R.S., G.D., writing in the *Manchester Guardian*, says:—

I have recently had the opportunity of seeing a large part of Russia which is off the beaten track. I have travelled thousands of miles among the peasants and have stayed in many villages and provincial towns. Thus I have seen parts of the country which the Government do not, as a rule, permit outsiders to see. I was the technical adviser and expert member of a small commission sent out by a London Trust Company. The U. S. S. R. Government had been negotiating with the Company with a view to the latter taking up certain concessions which extended over a great part of Russia and Siberia, and my job was to inspect these.

We travelled in a leisurely way over some thousands of miles by rail, sledge and other conveyance. My profession has called me for similar work over most of the world for over thirty years, so that I may claim to be an experienced observer. I had no special arrangements made for me, and while I was throughout shown every courtesy, I was never shown anything else. Unlike Mr. Shaw and other distinguished visitors, I was never treated to motor rides, cinemas, picture galleries, theatres, operas, nor did I get free or special terms at any hotels. The Government were desirous that the Company should take up the concessions, and I was a man, it might have been to the interest of the Soviet, to please. But while, as I say, I was always shown every courtesy, no more notice was taken of me than of any ordinary traveller, and there was never the slightest restriction placed on my movements either in Moscow or anywhere else.

Moscow Prices.

I had plenty of time to see Moscow, having to kick my heels there doing nothing for a very long time. The Russians are past-masters in the art of procrastination; appointments are repeatedly made and not kept, and the delays were exasperating. I had nothing else to do, and I wandered miles upon miles of Moscow streets at all hours of day and night. I never knew streets so quiet. At night especially I was never once accosted by male or female or stopped or questioned by policeman. I know most of the principal cities of Europe and America, and I do not know any other where man and woman or child can walk freely all night long.

I have seen plenty of object misery and suffering in Moscow, but no actual starvation. I do not say it does not exist, but, with plenty of opportunities and many friends among those to whom the Soviet was anathema. I never saw it. Housing conditions are appalling. Food is at times almost unprocurable, and at all times the prices both of food and other commodities are terrifying. But the Russian seems to accept all this philosophically and to live on less than anybody else, and as far as I saw, everyone has food and shelter of some kind.

I can confirm the stories of fabulous prices in the hotels. These, like everything else, belong to the Government. When I was in Moscow I paid over £1 for two miserable little cutlets not much bigger than a penny and not fit to eat. But I think these prices are only for foreigners, and I seem to remember other European countries where I have been fleeced almost as badly. On the other hand, at the three hotels I know I always had excellent rooms, clean and airy, with good bath room, and plenty of hot and cold water, clean towels, and so on. On one of my visit to Moscow the only hotel I could get into had no single room vacant and only one suite. It cost me just over £1 a day for the rooms, but there was a little hall, a bedroom for my man-servant (I had none), a very good bedroom, and a most luxurious sitting-room. The whole of the furniture was so beautiful that I came to the conclusion it had been looted from some palace, and there was a perfect gem of a French clock which severely tested my honesty. I saw nothing but the prices to complain of at the hotels. In some of the provincial towns, such as Vyatka, the hotels were excellent.

Railway Contrasts.

I have travelled on all classes of the railways, and here I differ from most of the accounts I have seen. The best main lines, such as the one from the Polish border to Siberia, are good. The gauge is the broad one, and the carriages are consequently very roomy. They were clean and well ventilated, and the bedding was spotless. As a matter of fact, these carriages were the most comfortable I have ever travelled in. The dining-cars were comfortable, the food was good, well cooked, and well served, while the courtesy of all the staff could not be surpassed and the prices, surprisingly, were reasonable.

On the more important branch lines there were no dining-cars, but the carriages and beds were clean and comfortable and the courteous attendants were ready to make tea for us at all hours and to rush off to buy us food at the stations.

In all the small towns we visited there were Government eating-houses, where everyone was encouraged to eat. I noticed that even when food in the same town was almost unprocurable, or the prices enormous, one could always be sure of a good and cheap meal at one of these eating-houses. I suppose the idea is partly to break up the home life. While Russians drink weak tea interminably, they seem only to want one meal a day. The meal consisted of a big basin of good soup, with a huge chunk of meat in it, a plentifully supplied plate of meat, potatoes, and other vegetables, and a very substantial helping of good pudding. And the cost was somewhere about a shilling. I always gave most of mine to some neighbour—one dinner would have lasted me two or three days.

Among the villages near towns or railway food was always difficult, and we seldom saw more than tea and dry black bread. Well away from these food was butter, more plentiful, and cheaper, and we had plenty of reindeer meat, game birds, butter and milk. I formed the opinion that near towns and railways, if there was food such as milk and butter, the Government confiscated it for export. I know they did as far as concerns butter, so I supposed that if the peasants had any they hid it from us in case it got to the ears of the authorities.

Transport.

In such a sparsely populated and huge country transport is a serious problem. But the arrangements of the Governments in the most out-of-the-way districts are good. Each village has its post house and here, at a few minutes' notice, we always had hedge or other vehicle to take us on the next stage

at a cost of two-pence half penny a kilometre. This took two passengers and all their baggage. One can always claim the shelter of the post house as a right, and as soon as a traveller arrives the samovar is got ready and the table set for tea and a meal—the ingredients, of course, supplied or bought by the traveller. There is no difficulty in travelling in the most remote districts if the Soviet grants permission, which it is not likely to do to the foreigner.

In the larger villages I found well-equipped little hospitals, spotlessly clean, with, perhaps, half a dozen beds in two wards, one for men and the other for women, a small surgical ward, an operating-room, and a well-furnished dispensary. The handiest doctor might be 100 miles away, but the hospital would be in charge of a felsheritza, a partly qualified medical woman, less than doctor and more than nurse, a most efficient person, who was her own operator and dispenser.

Filth, squalor and disease abound among the peasants, but I do not think this has arisen since the Revolution. I have lived among the savage and semi-civilized peoples of the globe from the sub-arctic to the equator, and I have never seen filth and dirty habits is so repulsive a form as among Russian peasants. There were, of course, exceptions. I believe the Soviet is trying to inculcate cleanliness, sanitation and hygiene among the peasants. It will be a difficult job.

I believe that the present rulers of Russia really do wish to see all religion abolished and severe disabilities attach to priests and their families. But it is not correct to say that public worship is prohibited. Wherever I went I found that anyone could attend any kind of public worship he pleased without interference. I always did so myself, both in Moscow, at the very gate of the Kremlin, and in the provinces. Chruches are not closed if there are sufficient local worshippers to keep the churches in repair and attend services. At the entrance of practically every village I entered there was a cross standing uninterfered with.

Swadeshi in Insurance.

The *Insurance Blue-Book* issued by the Government Actuary in August this year publishes the following telling figures with reference to life insurance business in India. The figures are for the year 1930. The total new life assurance business effected in India during the year 1930, amounted to 145 thousand policies assuring the sum of nearly Rs. 27½ crores and yielding a premium income of one crore and sixty lakhs of which the new business done by Indian companies amounted to 106 thousand policies assuring the sum of 15 crores 68 lakhs and having a premium income of nearly 86 lakhs. The actual figures of the business of Indian and non-Indian companies were as under:—

	Indian.	Non-Indian.
Number of companies ..	92	23
Number of policies issued	1,05,686	39,523
Sums assured ..	Rs. 15,68,00,000	11,75,82,000
Premium income	Rs. 85,95,000	69,89,000

From the above it will be observed, says *Swadeshi*, that though the Non-Indian companies are only one-fourth in number of the Indian companies, they have got 43 per cent of the total business effected in the year in India, with a premium income of 45 per cent of the total premiums paid on the new business during the year. It is gratifying to note that Indian companies are making steady headway and year by year they are showing increased business.

The above figures are for the year 1930 only. When we consider the volume of the total life assurance business in force and how it is distributed over Indian and non-Indian companies, the figures show the following interesting position:

Number of policies in force ..	7,16,663
Total sums assured ..	Rs. 1,54,00,00,000
Premium income	„ 7,96,48,000

Out of the above figures the share of 92 Indian life assurance companies is as under:

Number of policies in force ..	5,13,955
Total sums assured ..	Rs. 84,88,91,000
Premium income ..	.. „ 4,09,02,000

The business of 23 Foreign or non-Indian companies was as under:

Number of policies in force ..	2,02,708
Total sums assured ..	Rs. 69,76,48,000
Premium income	.. „ 3,87,46,000

It will be seen from the above figures, that nearly 50 per cent of the income derived from Life Insurance business in this country is still with companies not indigenous to India.

The financial position of Indian life assurance companies in 1930 was as under:

Number of Indian Companies ..	92
Paid up capital ..	.. Rs. 52,00,000
Annual income	.. „ 5,39,67,000
Total life assurance fund ..	.. „ 20,52,93,000
Total assets	.. „ 27,00,00,000

The combined strength of Indian life assurance companies shows an excellent position, strong enough not only to absorb the entire business at present in force in India but also to take care of all increases in the future.

In life assurance the first duty of every patriotic Indian should be to insure with Indian life assurance companies only. By doing so, he at once helps to keep in India, moneys that are going out of India. This will not only strengthen the position of Indian life assurance companies, but also will enable them to assist immensely Indian banks, Indian industries, Indian enterprise and generally improve the economic condition of India.

Life Insurance Companies are great credit institutions. They are a part and parcel of the daily life of the people. They have been tried in many crisis, epidemics, wars, floods, depressions and other devastations and they have stood their trials remarkably well. Indian life insurance companies have now come to stay; their record of service has been excellent, their financial position is very good and their future is now assured.

It is for the people of India to stand by these great national concerns whenever life insurance has to be bought, as and when once the majority of the population of this country are satisfied with the real benefits of Life Insurance, the funds that will accumulate

in the hands of Indian Life companies will be more than ample to meet every legitimate demand of India.

Lancashire and the Indian Market.

In a paper recently read before the Royal Statistical Society, Mr. A. R. Burnett-Hurst dealt with the remarkable post-war changes in Lancashire's trade with India. *Inter alia*, he said that :—

Before the war, India produced nine-tenths of the yarns which she consumed and met the balance of her requirements, mainly medium and fine yarns, almost entirely from the United Kingdom, but the Indian mills only supplied one-quarter of the mill cloth consumed in the country. Lancashire held almost a monopoly of the import trade in grey, bleached and printed cloth, a trade valued at £35,000,000. The war handicapped British shippers and presented to Indian and Japanese manufacturers special opportunities of which they took advantage. Indian mills increased their production of fine yarns and piece goods, while Japan increased her shipments of yarn from half a million pounds pre-war to 26 million pounds in *1918-19* and of unbleached piece-goods from 3 million yards to 297 million yards. After the war, Lancashire recovered part of the lost trade. The Indian mills, reconstructed and re-equipped from war profits, soon became formidable competitors. *Further the reduced purchasing power of the* Indian masses, coupled with the relatively high prices of British goods, compelled consumers to turn their attention to the cheaper and coarser products of the Indian and Japanese mills. Much of the subsequent progress of the Indian mill industry was due to the abolition of the Cotton Excise Duty in 1926, to the adoption of "discriminating protection" in 1930 and to the boycott campaign. The United Kingdom has lost ground in the yarn trade as a whole, both absolutely and relatively. Lancashire's share has declined from 88 per cent pre-war to 35 per cent in 1930-31. India now supplies nine-tenths of the market in yarns of counts above 40's. The production of Indian piece-goods increased from 1,105 million yards pre-war to 2,561 million yards in 1930-31, whereas imports of foreign piece-goods decreased from 2,632 million yards pre-war to 890 million yards in *1930-31*. The British share in that decreased trade fell from 97 per cent pre-war to 59 per cent; while Japan, starting almost from zero, captured one-third of the trade in less than twenty years. In pre-war days Lancashire was dominant in the market for *unbleached cloth and for coloured goods*; now, Indian mills supply 85 per cent of India's requirements of the former and 70 per cent of the latter. Japan has captured the import trade in grey shirtings and long-cloth and during the last five years has made great inroads in the grey *dhuti* trade. Indian and British coloured goods are meeting serious competition from Japanese artificial silk fabrics, while the valuable trade in bleached goods, hitherto almost a monopoly of Lancashire, is now threatened in all the staple lines by Japan. The very considerable decrease in the demand for Manchester goods in India is due primarily to the rapid progress that Indian mills have made in nearly all the staple lines of the grey and coloured piece goods trade; and secondly, to Japanese competition. The dominant consideration in determining the demand for cotton goods in India is the price factor, and until Lancashire manufacturers can quote competitive prices there is little hope that Lancashire will recover her former position or even maintain her present share of the trade. The *remarkable success of the Japanese manufacturers* in the Indian market is due to their policy of gradual and persistent penetration based almost exclusively on the price factor. The Japanese have concentrated on the mass production of standard cloths at low prices. A self-governing India, freely using the tariff weapon, will make it increasingly difficult for Lancashire to hold her own. Nevertheless, though for some years to come Lancashire should hold the trade in yarns of the highest counts, in bleached goods, in fine grey jaconets and *dhutis* and in dyed goods, much will depend upon the efforts made by Lancashire manufacturers to keep in touch with the market to place their goods at competitive prices and to counter the efforts of their Far Eastern competitor.

Interesting evidence was given by Mr. T. M. Keynes, the eminent economist, before the Royal Commission on Lotteries and Betting. He regarded gambling as 'a form of enjoyment, like people who take a glass of wine or go to the opera'. He said that people on the Continent indulged in lotteries about once a week and he favoured State lotteries. 'To look forward to a life of poverty without the slightest hope of amelioration,' he remarked in reply to a question, 'is not good for people, and if with a slight expense they *can live in the hope of something turning* up, then it seems to me that is not an evil.' Asked whether he thought it was a good thing to lure people into 'this false and unreal world of make-belief in these days of distress,' he promptly replied as follows:—Why is it false and unreal? The richer classes have investments which they always hope will go up in value, although it seldom happens, and they obtain pleasure from it. The same thing applies in a similar measure to these poorer people.

When the United States placed an embargo on the export of gold and the foreign exchanges with that country were suspended, it was generally thought that when the transactions on the exchange would be resumed, the dollar would have appreciably depreciated in relation to sterling. Those who thought so forgot that the financial earthquake in that country had nothing to do with the meeting of foreign obligations in gold. *The crisis was*, as the "Leader" points out, a purely domestic one and did not affect the country's international credit. It has more than ample gold *to meet foreign obligations*. The crisis in Britain which forced it off the gold standard was external due to the accumulation of a large adverse balance of trade. The dollar-sterling quotations show that the position of the dollar remains practically unshaken.

Recent Economic Publications.

The Soviet Union and Peace.

With an introduction by Henrie Barbasse. Published by Messrs. Martin Lawrence Ltd., London. Price 3s. 6d.

This book is a collection of the most important documents issued by the Government of Soviet Russia concerning peace and disarmament from 1917 to 1929. They are a formidable number and are divided into 4 sections. The first relates to the documents issued by the Soviet Government in the early years of the Republic and in it are included the Decree of Peace dated November 8th, 1917, and the proposals for peace and disarmament made by the Soviet representatives at various conferences between 1917 and 1920. The second section refers to the work of disarmament and the proposals made by Russia in regard to that problem, beginning with the vigorous protest made by that country against its exclusion from the Washington Disarmament Conference in 1921. Section 3 also is a continuation of Section 2 and contains the various important documents issued and statements made by the Soviet Delegates to the Preparatory Disarmament Commission. This brings the narrative down to the year 1928. Part IV contains documents referring to the attitude of Russia towards the Kellog Peace Pact and Part V contains the various Pacts of Neutrality and non aggression signed by the U. S. S. R. from 1921 down to 1929.

As has been said in the Foreword to the collection "it has been issued for the purpose of acquainting wide circles" in England with the facts as to the Soviet Union and Peace.

In the Introduction Mr. Barbasse narrates in a connected form the various attempts made by the Soviet Government all of which constitute a complete refutation of the theory that the Government is out for national aggression. From what the Documents contain, "there can hardly be a single State whose history is so full of endeavours for the effective establishment throughout the world, as is the eleven years history of the Soviet Union." The documents cited conclusively prove the ineradicable desire of the Soviet Union for peace and disarmament and the resultant impression of a study of the documents is that the European nations are left in a very unfavourable light. Mr. Barbasse while vindicating the position of the Soviet Government has exposed in a merciless manner the obstacles and hindrances placed in the way of the realization of peace by the European nations. That disarmament is not an accomplished fact even now is only a further proof of the very doubtful willingness of the nations and of their indifference, if not their insincerity, in regard to this important problem. Mr. Barbasse's introduction read together with the documents quoted is a direct challenge to the ostentatious blaring of peace trumpets without any serious, practical and genuine attempt at practical disarmament behind it. Peace and disarmament are problems which admit only of comprehensive solution based upon a complete change in the angle of vision of the nations; but regretfully enough they are the problems to which solutions are attempted in driblets. No wonder that fifteen years after the Great War we are still as near the danger point of world war as ever before and that disarmament and peace are also as dim visions as ever.

Compared with the attitude and work of other countries, the attitude of the Soviet Government towards, and its work for, peace are highly commendable and if the world to-day is not free from imminent peril of war, it is not the Soviet Government of Russia that is to blame but other Governments of Europe. This is the impression left on one's mind by the perusal of the various documents collected by Mr. Barbasse.

RAMACHANDRAPURAM, *Feb. 15th*, 1933. — C. V. HANUMANTHA RAO.

India and the International Labour Organization.

By Dr. P. P. Pillai. Balaili Readership Lectures of the Patna University, 1929-30; Patna, 1931, pp. 196, with bibliography.

In this handy volume Dr. Padmanabha Pillai, the energetic Director of the International Labour Office at New Delhi, gives us almost all that is necessary for a comprehension of India's place in the International Labour Organization, and the material benefits accruing to our country from a participation in and a steadfast adherence to the work of this unique Geneva organization. Dr. Pillai has made his name as a careful and reliable student of Indian economic conditions by his important study on "Economic Conditions in India" which has fittingly run into a second edition. In this volume he does not allow his diplomatic position at New Delhi to prevent him from studying with sympathy the problems he had attempted to study, but proceed with his inquiry from a purely national point of view. In this objective account of India's co-operation with the International Labour Organization there is a lot of material neatly crushed for the edification of the student of India's socio-economic conditions, as well as for the captains of industry and commerce, and the labour leader. His last chapter is of particular interest to the student of the impending constitutional reforms in which the generality of the masses in the country, particularly agricultural and industrial workers, whether organized or unorganized, are expected to take their rightful place. The author has the advantage to have at his disposal the recommendations of the Linlithgow Commission and the Whitley Commission and is as such in a position to offer some constructive suggestions for the enfranchisement of the millions of Indian wage-earning population. In this respect his concluding chapter entitled "the International Labour Organization and India's Political Future" deserves the closest scrutiny by our politicians and constitutionalists.

The book is divided into six chapters, the first three devoted to a discussion of international labour conditions, international labour legislation and the machinery of the International Labour Organization. His position first as a member of the League Secretariat and latterly as a member of the International Labour Office at Geneva, has given Dr. Pillai an unique opportunity to appreciate fully the trend of international activity towards securing social justice for the world's teeming millions of workers. The succeeding two chapters deal with India and the Conventions of the International Labour Office. So to speak they delineate the process of interlocking Indian and international labour and industrial activity. Dr. Pillai is at pains to point out that it is impossible to directly

link Indian labour and social legislation of the post-war era with specific international labour conventions. But the fact is clear that legislation agreed to at Geneva by members of the International Labour Organization has more or less stimulated national activity in our own country. India has so far ratified eleven international Labour conventions, which yields a percentage of thirty to the total number adopted at Geneva during the past fourteen years, and assigns for our country the first place among the Asiatic states as regards the faithful adherence to the obligations imposed at Geneva upon world states from time to time.

On pages 112—113 and 120—121, the author gives a list of the Conventions accepted by India and the national legislation implemented by the Government during the past fourteen years in our country. The latter list comprises a swift succession of Indian legislative enactments intended to ameliorate the conditions of our workers. The Indian Factories Act of 1922 with its subsequent amendments, the Workmen's Compensation Act of 1923, the Indian Trade Unions Act of 1926 with its amending act of 1928, and the Trades Disputes Act of 1929 may be mentioned as some of the landmarks in recent labour legislation given effect to in India. There is no gainsaying the fact that India's association with the International Labour Organization has exercised a tremendous influence over the attitudes of the Government, the Employers and Workers in their effort to work out a reasonably just co-partnership of national endeavour in the land. But this does not in any sense justify the hope that Indian labour conditions have attained perfection and that the time is come to call halt in this direction, as is pleaded by some of our employers' organizations. Far from it. As yet, India cannot hope to foot the line with Western countries in the field of industrial and social justice which is being progressively given to their workers. It is to be hoped that the Government would resolve to continue their valuable work as a sympathetic buffer between capital and labour in the land and thus foster greater co-operation between these two sets of interests than has hitherto been possible.

Recently it has been brought to light that there is a plurality of industrial and commercial interests in our country. Indian and European interests in this field have come to a clash, as the Sir Arthur Froom and P. H. Browne controversies in 1926 and 1929 exposed at Geneva have indicated. In 1927, the Federation of Indian Chambers of Commerce came into existence as the focussing point of purely Indian commercial and industrial interests, as distinct from the older Associated Chambers of Commerce of India and Ceylon which is a purely European organization. Last year an all-India Organization of Industrial Employers has come into being to give shape to definite national interests. The *modus operandi* agreed to by the Government of India to select the chief employers' delegate from the list supplied by the Indian Federation, and allot an adviser to the European group is a happy solution of this intricate problem. This solution has also helped to clinch the nationality question affecting India, and to this extent a purely industrial and labour organization as the International Labour Organization has come to help India on the march towards full nationhood. Till 1918 there was not a single Trade Union in the country, but as a direct result of India's place in the International Labour Organization the Indian Trade Union Movement is making rapid progress and in the future delimitation of India's socio-economy organized labour has opportunities to claim and possess adequate obligations and rights.

I would have liked Dr. Pillai to devote some space for a description of the struggle which India experienced before she got a place on the Governing Body of the International Labour Organization in 1922, for that struggle can be really called heroic, if ever the heroic can be introduced into the industrial and labour field. Since her admission in her own right to a government seat on the Governing Body of the International Labour Organization as one of the eight world states of chief industrial importance, India has made her mark at Geneva. In 1927 Sir Atul Chatterjee was unanimously elected President of the International Labour Conference, while in October 1932 he was elected to the enviable position of Chairman of the Governing Body of International Labour Organization. Besides being fitting tributes to the ability of Sir Atul Chatterjee, these elections indicate that India is fast coming into alignment with world states as far as a progressive programme of industrial and social amelioration is concerned. If the place of India in the League of Nations is unsatisfactory, her position in the International Labour Organization, as a necessary adjunct to League membership, has more than justified the expense and trouble which the country is put to.

Dr. Pillai's present study, written as it was in his characteristic limpid style, ought to serve as an eye-opener, to such of our politicians and leftist labour leaders who believe that Geneva is a sham.

An entirely Indian production, the book under review would have greatly facilitated the work of the student if it had an index or at least a comprehensive description of the contents.

CAMP, BOMBAY,
23rd February 1933.

LANKA SUNDARAM.

Imperial Economic Conference.

VIEWS OF THE INDIAN MERCHANTS' CHAMBER ON THE REPORT OF THE INDIAN DELEGATION TO OTTAWA, 1932. pp. 26.

The Committee opine that the forcing of the Pact on the unwilling Indian people, the strengthening of the British export trades' hold on India, the lack of mutual gains to the contracting parties for Great Britain obtains the lion's share of advantage and India obtains less, if any, at all, the reduction of purchasing power of other countries for our goods, the possibility of retaliation, the possibility of further taxation, the hindering of the growth of Indian industries, the attempt to make India a grower of mere raw materials under the guise of the specious doctrine of "Industrial Co-operation," the tightening of the stranglehold of British shipping to the detriment of India's own shipping industry, the absolute futility of the alleged safeguard of revoking the Pact at the end of six months' notice and the unwarranted exaggeration that India loses her trade to Great Britain if the Pact is not accepted by her, have been emphasized in clear and unmistakable language. The economic and financial system of the country are bound to be adversely affected, says the Committee. That the propaganda on the part of the export trade of Britain has to be discounted is clearly envisaged in the Report. Summing up the entire case the verdict as pronounced by the Committee says that "it is not in the interests of the Indian farmer, not in the

interests of the Indian businessman, not in the interests *of the manufacturer, nor in the interests of the* general tax-payer." It appropriately quotes the speech of the President of the Board of Trade of the United Kingdom which says that "the Ottawa Agreement will increase *the activities of the English exporting houses* to India with a corresponding effect on the manufacturing centres in the United Kingdom." It is a pity that in spite of such vehement denunciation available to the members of the Legislative Assembly the Pact has been after all ratified with very slight modifications.

SENATE HOUSE,
CALCUTTA UNIVERSITY, } DR. B. RAMACHANDRA RAU.
27th February 1933.

Ottawa Trade Agreement and India.

By V. Ramdas Pantulu, Vice-President, The Madras Economic Association, 1932, pp. 40.

The *indefatigable Mr. Ramdas Pantulu with his* untiring energy has issued this monograph in time to enable the people to realize the economic implications of the Ottawa Pact between India and Great Britain. As leader of the Opposition *Party in the Council of* State he used *to make many a debate a lively issue.* The same grasp of political, economic, financial and monetary matters which he used to display in the Council Debates or at the sittings of the Central Bank*ing Enquiry Committee of which he was a very active* member, is again in the forefront and the *pros* and *cons* of the Ottawa Pact have been stated in a clear and lucid manner in this monograph. He is an anti-Ottawite as all the *Indian nationalist economists are.* With true prophetic insight he remarks that the Ottawa Pact will be ratified by the Legislative Assembly.

While admitting that in certain cases of export trade, as *coffee* and *tanned* hides and skins, India stands to gain, he clearly emphasizes the fact that "the mere non-acceptance of the Pact will not seriously jeopardise the export trade of India." The *real expansion of export trade will also be small.* The export trade with non-Empire countries might be dislocated and diminished by the operation of the Agreement.

Coming to the *Special Supplementary Steel Agreement* he points out that the Indian sheet industry ought to expand so that the home market at least might be supplied by the Indian plants. "The dangers of accentuated establishment of sheet plant" are unreal and *the perpetuation of the old imperialistic policy* "of exporting raw materials from India only *to receive them in a finished stage*" is clearly illustrated in this Agreement.

Again he shows that protection granted to Indian industries such as soap might be nullified by the *actual method of splitting the Preference of 10 per* cent (*i.e.*) by reducing by 5 per cent the import duty on British goods and raising by 5 per cent the import duty on manufactured goods. The British Soap Industry which is now actually losing its hold on the Indian market will regain its lost hold to the detriment of the rising soap industry of India. Under such circumstances can there be true industrial co-operation?

If India's fiscal autonomy is indeed a reality it means that she can prevent any injury to her industries and protect at the same time the interests of the consumers. Judged by this real test the Tariff Pact *fails to secure either ideal.* India is *evidently granting* Preference to such British industrial products whose price will not be lowered in the near future and the temporary burden on the shoulders of the Indian consumer might be a real and lasting danger *to her.*

Possessing a great home market it behoves us to reduce the dependence of ours on external industrial products. Clearly this ideal will not be secured by the *granting of Preference to the weaker British industries* also.

With increasing loss under the customs revenue the Government of India might be forced to levy *additional direct taxation in addition to the indirect* taxation levied by this Pact on the consumers' shoulders. The destruction of consumers' purchasing power ensuing out of this situation will not benefit anybody.

The last consideration that the *Ottawa Pact* will *increase* World Trade is indeed a *pious* belief. The author wisely points out how New Zealand, the Irish Free State and Canada are creating many breaches in the Agreement. A country's trade can never *increase under enhanced prices of its commodities* far above the world-level. That Britain's export trade will increase to Empire countries might be granted but the expected expansion of World Trade by the *further increasing of the new tariff* barriers will not be realized in actual practice.

Summing up his erudite exposition the author remarks that "India has little to gain and much to lose by the Agreement as a whole."

SENATE HOUSE,
CALCUTTA UNIVERSITY, } DR. B. RAMACHANDRA RAU.
25th February 1933.

Professor K. N. Moss, in a presidential address to the South Staffordshire and Warwickshire Institution of Mining Engineers, urged that the increased mechanization of industry demanded a revision of educational training to fit workers for a proper use of the leisure which reduced hours in the mine or at other occupations would give them. Mining engineers of the future should, he held, acquire a wide humanistic education to enable them to organize effectively the means of providing both for craftsmanship and for intellectual ... among the mining community in which they dwelt. He feared the industry had suffered much from the narrowness of the training given in some country mining schools and technical colleges. A good deal of money was wasted in part-time vocational education. Schools devoted to that work ought, he suggested, to restrict their activities on the technical side to providing training for all types of underground officials up to and including the under-manager.

The road to success is filled with women pushing their husbands along.

Books in Brief.

Short Reviews of Recent Books.

Life of Sris Chandra Basu.

By P. Bose, M.A., Ph.D., Late Professor, Nalanda Intermediate College. Published by R. Chatterjee, 120-2, Upper Circular Road, Calcutta. Rs. 2-8.

This is a finely written biographical sketch of the great publicist and scholar, Mr. Sris Chandra Basu. Mr. Basu began as a lawyer and ended as a literary man. His chief claim to reputation rests on his Series, the *Sacred Books of the Hindus*, a good many of which are now out of print. So keen was the demand for them at the time they were issued that copies were soon exhausted. The difficulties under which Mr. Basu pursued his studies in Sanskrit and the splendid use he made of his great talents are unfolded in this book by Mr. Bose in a simple yet striking manner. The only suggestion we would make to him, in re-issuing his book when a new edition is called for, is to remove the rather unfortunate references to Pandit Malaviya and the generally adverse remarks he again and again offers against Brahmans. Traditions die hard and for that the blame should be preferred against human conduct rather against any particular class or creed. It was after all from the very hated Brahman that Mr. Basu learnt the *Vedanta Sutras* as Mr. Bose himself acknowledges. Mr. Bose should not allow so good a book as he has written to be disfigured by such obscurantist notions as he seems to display when referring to Brahmans. As a well-known foreign writer on India once put it, the sacrifices the Brahman has made for the progress of the country, in almost every walk of life, will bear the closest scrutiny. This is true not least in the social and the religious fields. He has always pointed the way and held fast to truth, come what may. Mr. Bose should know more before he generalizes. We have written all this not by way of admonition but by way of suggestion to keep the book away from the anti-Brahman propaganda that is so rampant in certain circles in India and in England. The Craddocks, the Clarkes and O'Dwyers may have an excuse for it but not Mr. Bose or his countrymen. It is high time that the habit of transferring such abuse into books is ended for the good of the Indian Nation.

This does not mean that Mr. Bose has not done his work well. As we have remarked, he has done it well enough and it is because we like the book both for its contents and the manner of approach adopted, that we have dared criticise the evil propensity we have referred to above. The Volume deserves to be read widely, if for nothing else at least as an illustration of the fact that Indians, even under the difficulties they have been labouring under for over a century now, are capable of holding their own in the field of literary work as much as in any other, political, social or religious. The late Mr. Basu was a versatile genius. He was as good at law as at journalism; as good at Sanskrit as at Bengali and Persian; and was as much interested in social as in religious reform. Mr. Bose delineates his character in a sympathetic spirit. He finds a trace of pessimism in him and says that he found solace in the study of the *Upanishads*, the *Vedanta* and the *Gita*. That is typical of the true Hindu. And Mr. Basu was not only a mere Hindu but the very salt of Hinduism. Mr. Bose deserves to be complimented on the study he has presented and we trust it will be appreciated by his countrymen.

Tourists' Guide to Mysore.

By T. L. Kantam. Government Press, Bangalore. Price Re. 1.

This is an illustrated guide to Mysore intended primarily in the interests of a visitor to Mysore. It is accordingly both succinct and compact in its make-up. It furnishes information that ought to prove useful to a tourist. Besides a short descriptive account of the State, we have a few readable paragraphs detailing with its political and administrative histories. Then we have well framed 12 route-accounts which ought to help towards a successful tour of the State. The most interesting of these are, besides Nos. 1 and 4 dealing with Bangalore and Mysore Cities, Nos. 5, 7, 8, 10 and 11 which are devoted to Mysore to Seringapatam, Mysore to Hassan, Hassan to Chikmaglur, Chikmaglur to Kemmangundi and Shimoga to Gersoppa and back. We have besides valuable notes on railway timings and fares, bus services, travellers' bungalows, petrol depots, list of hotels, places of religious importance, statistical data relating to Mysore, etc. The *Guide* is fully illustrated and has a road map of the State appended to it. A most valuable book well suited to meet the needs of the visitor to Mysore.

The Cross and Indian Thought.

By V. Chakkarai, B.A., B.L. The C. L. S. for India, Post Box 501, Park Town, Madras. Price Re. 1-4-0.

This is an exposition of the central teaching of Jesus' religion as developed under Pauline influences by an ardent Hindu convert to Christianity. The desire to see all that is best in Hinduism in the religion of Jesus is a natural one for a Christian anxious to hold to his moorings. And the attempt is made here to describe the Cross as the true *nishkamya karma*, the reconciliation of law and love, KARMA and JNANA. In the concluding chapter the author sets out the relationship of evolution to the Cross: "He who is the Redeemer of men is equally the redeemer of nature"—that is his conclusion. A book of interest meriting attention as indicating how the indigenous Christian mind is working towards a reconciliation with its ancestral faith. That is significant and worthy of note.

A Tour in the Mysore State.

By Constance E. Parsons. Published by the Oxford University Press, Bombay. Price Rs. 3.

This book ought to prove for Mysore what Murray's "Guide to India" is for the whole peninsula. It is well planned, well written, well illustrated and well printed. It presents the best "tours" for travellers who desire to "do" Mysore on a scale commensurate with the interest attaching to its beauty spots. The main roads are kept to, though the subsidiary ones are not neglected. Legend and tradition are not

orgotten in unfolding the history of places, and he more recent history is given in an easily assimilable form. The road map of the State and the many Appendices, one of which is devoted to Travellers' Bungalows, ought to enhance the value of the book. It, however, lacks an Index, which we should be glad to see supplied when a new edition is called for.

Sanyasi and Fakir Raiders in Bengal.

By Rai Sahib J. M. Ghosh, B.A., B.C.S. Published by the Bengal Secretariat Book Depot, Calcutta. Price Re. 1-8-0; 2*s*. 6*d*.

This is a contribution to the social and local history of Bengal during the 18th century. It mainly deals with the suppression of sanyasis and fakirs who then infested that Presidency and under guise of religion roamed the country and exacted tribute, voluntary or forced. Based for the most part on documents available in the Bengal Historical Record Room, it is not only authoritative but also full. Mr. Ghosh states that the original material was extracted from the records by Mr. A. Cassells, I.C.S. (Bengal), and that he has had his invaluable help in editing it. The volume bears testimony to the extraordinary powers assumed by the sanyasi fakir leaders in olden days and the manner in which they imposed their will on zamindars and others. The notes furnished by Mr. Ghosh are to the point and illustrative of the clearness and precision with which he has attacked a by-no-means easy task. Altogether a volume of considerable importance for reconstructing the social history of Bengal during the 18th century. The picture of "A Mohunt and Gossavis", from the original drawing by Deen Allee, produced from *Broughton's Letters from the Mahratta Camp during the year* 1809, forms the frontispiece. The inclusion of a map of Bengal and Behar, based on Rennell's Map (Survey 1764-77) enhances the utility of the volume. The lack of an Index, especially in a volume of this nature, is to be regretted. We trust one will be made available when the next edition is undertaken.

Indo-Ceylon Connection.

By V. V. Rajaratnam. Published by the Sagothary Press, Hatton, Ceylon. Price Cts. 25.

This booklet enshrines a protest against the "One-route to Ceylon" policy that now governs the transport position as between India and Ceylon. The writer points out not only the injustice of the existing order of things but also animadverts pointedly on the inconveniences involved in it. He suggests that Ceylon and India have for ages gone together and that they should go together even now. There is much force in his reasoning and his protest seems not lacking in foundation. It has been time and again argued in this *Journal* that the truest solution of the Indian problem would be federating of India, Burma and Ceylon. This would strengthen all the federating units—both commercially and politically. The booklet under review fully supports this view and coming from the Ceylon side is of considerable interest. The "quarantine" question is dealt with at length by the author and his objections seems incontrovertible on principle. A timely pamphlet worthy of attention both in India and in Ceylon.

Ideals of Hinduism.

By Rai Bahadur Pandit Kasi Nath, M.A., M.B.E. Messrs. D. B. Taraporevala Sons & Co., Hornby Road, Bombay. Price Rs. 4.

This is an illustrated study of Hinduism,—its growth, decay and ideals. Pandit Kasi Nath writes as a believer and as one who would raise Hinduism to the highest ideal it preaches: *Dharma*. Dharma he defines as "the expression of truth in our relations with men." He adds: "it is to recognize divinity in man, to see God all around us and to realize Him thus." "To work for the welfare of the world is to work for Him." He quotes the *Isha Upanishad*, "Om! Remember the Creator, remember the created; remember the Creator, remember the created." The Pandit, however, writes in places in a pessimistic vein and feels that Hinduism is lost and is on the downward grade. But even here he writes as a "reformer" and not otherwise. He puts in a forcible plea for the rejuvenation of the Hindu world. The spirit of self-sacrifice in the land should, he thinks be harnessed to a high ideal. That is all to the good, but he need not have dragged in politics by a side-wind, as it were, to drive his lesson home. The ideals are there already in the religion of which he writes and what is really required is an united effort forward. Pandit Kasi Nath can do much towards the realization of that much-desired consummation and he would do well to join forces with those who are at work in that line.

How to Use Your Mind.

By Harry D. Kitson, Ph.D., Professor of Education, Teachers' College, Columbia University. J. B. Lippincott Company, London. Price 6*s*. net.

The author in this book enumerates the difficulties that beset a person who is unaware of the proper methods of study. The evils of unintelligent and unsupervised study pervade the whole educational system. There are certain tricks which make for mental efficiency, *i.e.*, methods of appreceiving, methods of review and arranging of work. These are systematized and made available for students in this book. The author states that studying without a plan is merely groping in the dark. Studying consists in forming habits of grasping, reasoning of facts and concentrating of attention. Brain is the centre where all impressions are formed through the help of neurines which are connected through the nervous system to the brain. Therefore, first impression in study is of the greatest importance. To remember the subject read, one must make logical associations and must take notes and review them in mind. The essential points to remember in study are impression, retention, recall and recognition. Every subject must be studied with interest. There must be purpose in studying. In studying to remember well one must formulate questions and seek answers for them. For effective study, diet, rest and exercise must be regulated to keep the body in a fit condition. The author throws hints as to how one can overcome fatigue and discouragement. The volume is brimful of ideas which, if applied, ought to bring forth good results. This book ought to prove of great help to all who desire to cultivate their minds on a healthy and scientific basis. To students it ought to be specially welcome.

Articles in the Journals.

1. Technical Progress in Timber Preservation, by S. Cabianca.—*International Review of Agriculture*, December 1932.
2. Land Mortgage Banks—A Warning by E. S. Ganapathi Iyer.—*Madras Journal of Co-operation*, February 1933.